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INTERNATIONAL LABOUR CONFERENCE

EIGHTEENTH SESSION

GENEVA, 1935

REPORT OF THE DIRECTOR

GENEVA

INTERNATIONAL LABOUR OFFICE

1935

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CHAPTER I

INTRODUCTION

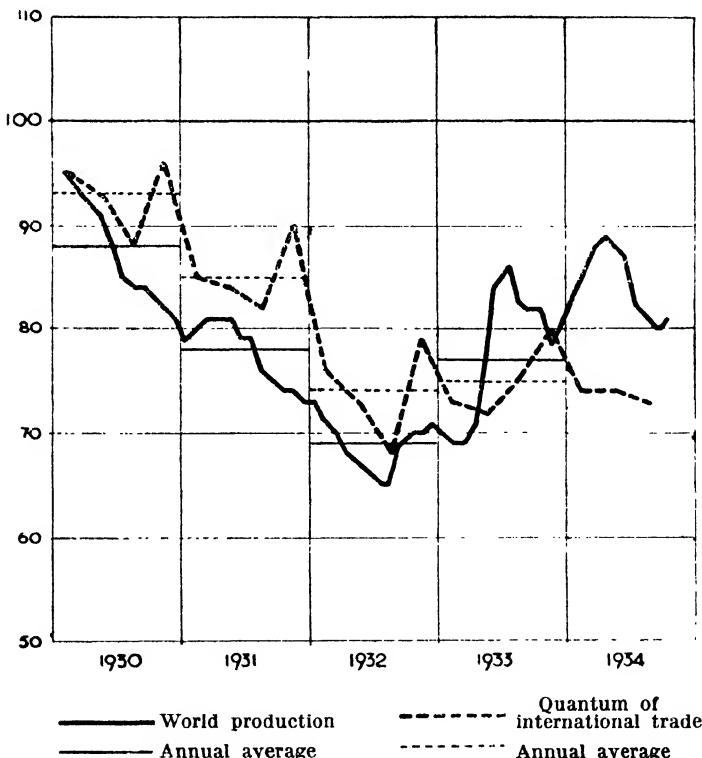
The fifth year of the depression has now run out, without bringing the hope of general recovery to fruition. On the whole, it is clear that 1934 marked a distinct advance over 1933. In most countries unemployment continued to diminish, production continued to increase, exchanges remained more stable. In the countries which made some progress in the previous year, a further advance was registered during the last twelve months, and in some of them the belief became current that the depression was already passing into history. No country saw a social or economic cataclysm such as those which produced the German revolution and the American crisis in 1933. It may fairly be said then that the world's economic life has been running in smoother and deeper channels, but it is still far from having returned to the broad, even flow of real prosperity.

Recovery is, in fact, still superficial rather than fundamental. International trade is very little, if any, better than in 1933. Immense reserves of capital still remain stagnant and sterile. Exchanges, though steadier, are still inherently unstable. Almost everywhere money is still being hoarded, though not quite in such extravagant quantities as at the height of the American banking crisis. The springs of international lending are still practically dried up. All these symptoms indicate that there is little feeling of assurance as to the solidity and permanence of the gains so far registered. While it is true that some countries have gained ground, others have lost it, and in most of the latter the nervous tension has notably increased. Though one or two nations may claim to have reduced their unemployment figure to normal, their position is still altogether exceptional. There is still widespread distress and frustration of hope. The world as a whole is still groping its way painfully and fearfully. It has not acquired confidence in the new economic system which is slowly emerging. Even less has it derived confidence from recent events in the present political system as furnishing a stable foundation for peace and tranquillity. The

immense relief which greeted the faint signs of a general *rapprochement* in the closing months of 1934 and the elimination of the Saar from international discussion furnish the measure of the prevailing uncertainty and anxiety, which has always been one of the main obstacles to recovery.

The year 1935 opened, therefore, with a feeling of subdued

FIG. 1. — INDEX OF WORLD PRODUCTION AND QUANTUM
OF INTERNATIONAL TRADE
(1929 = 100)



SOURCES: Production — *Vierteljahrshefte zur Konjunkturforschung* (Institut für Konjunkturforschung); International trade — *Monthly Bulletin of Statistics* (League of Nations).

hopefulness based on symptoms of better political understanding and of chequered economic progress; but perhaps also with a better realisation of the long road still to be covered and the formidable barriers lying in the path of a complete revival. Nearly all the progress so far accomplished has been the result of national effort, and its effects have been mainly confined to the national field. But it has so far done little to restore the flow of international trade and international financing without which the world cannot

finally recover complete or lasting prosperity. Indeed, in the summer months of last year there were some indications that the upward movement was flagging, which may mean that the limits of national effort are being reached and that further progress can only be attained by setting the international machine once more in smooth and harmonious operation.

From the social point of view, however, the past year has been of exceptional importance. It has confirmed some of the tendencies which had been gradually gaining strength since the onset of the depression and by so doing has demonstrated the radical change which is coming over social thinking.

In last year's Report attention was drawn to a number of features of the crisis which seemed to be vital for the future consideration of social policy. It was, for instance, pointed out that the need for "planning"—that is to say, for the deliberate interference by government with the economic structure and the course of economic events in order to achieve certain social objectives—was becoming generally recognised. The fatalistic faith in the benevolent operation of economic law was everywhere giving way to the demand for systematic collective action. In response to the vehement insistence of public opinion, one country after another had abandoned the *laissez-faire* outlook in an endeavour to arrest the inroads of depression, which by destroying its standards of life was undermining its social stability. Hence the initiation of controlled monetary policies, of ambitious schemes of public works, of new industrial structures of which the State was the architect and often the builder, of State-controlled and directed agricultural production and marketing, of managed international trade, of wholesale relief of unemployment at the expense of the community. It was suggested a year ago that this new attitude to economic and social questions, which was abundantly evident in Germany, Italy, Japan, Sweden, the United States of America and the Union of Soviet Socialist Republics, and which was clearly gaining a hold in many other countries such as Argentina, Australia and Great Britain, was of great significance. It meant a definite break with the practices and the philosophies of the past. It implied that the crisis had brought the world to a turning-point from which there was no retreat. It had shown that there was a stage beyond which modern civilised communities would not brook the destruction of the economic and social security to which they had become accustomed. They had come to regard the standards already attained as the minimum requirements of decent living, not as an occasional

boon to be enjoyed in good times but to be sacrificed without a murmur when depression sets in. In other words, the old self-regulating economy was no longer likely to be tolerated unless it guaranteed the maintenance of social well-being. When it failed to do so, it became the business of Government to intervene in the general interest of society, and particularly in that of those agricultural and industrial groups which were most exposed to the ravages of the slump.

The events of the last twelve months may be said to have set the seal upon this transformation of attitude. Instead of receding as signs of recovery have appeared, the demand for collective action and organisation has, on the contrary, been reinforced. The very security of the State is now seen to depend not only upon the inviolability of its frontiers, but upon its ability to provide an orderly and sufficient existence to all classes of its citizens. As it has been aptly put by a well-known American publicist, "the task of ensuring the standard of life for its people is now as much the fundamental duty of the State as the preservation of national independence"¹. Where it has failed in that duty, we have already witnessed national unity threatened by dissolution, the crumbling of law and order and the birth of private armies such as have not been seen in Europe since the seventeenth century.

These things are all portents of the overwhelming pressure now generated in educated communities for the preservation of the moral and material benefits which they now regard as an integral and essential part of civilised existence. In former times the resistance of the social fabric to economic strain was almost indefinite, because unemployment, privation and distress were looked upon as visitations of some blind providence from which there was no escape. Nowadays the breaking-point of passive endurance is far more quickly reached, because certain standards of health, comfort and well-being are considered as inherent rights which the community not only should but must guarantee by organised collective effort.

The common attitude is well summed up by Mr. Floyar-Rajchman, the Polish Minister of Industry and Commerce², who is himself opposed to State interference unless private enterprise has failed or new conditions have been created by changes in economic relationships. "Citizens are always making some demand

¹ WALTER LIPPmann: *The Method of Freedom* (1934), p. 35.

² Speech to the Finance Committee of the Diet, 23 Jan. 1935.

of the State ", he says, " whether it be for work or legislation, bread or tariffs, arbitration or relief, credits or subsidies, freedom for oneself or regulation for others. When throughout the country and in every class of society everyone is presenting to the State at least twice a day claims for relief, assistance or intervention of some kind, why do we hear these complaints about interference ? Let it be said frankly: it is not the Government but society which is exhibiting interventionist tendencies."

This demand for Government action has been reinforced by the patent fact that the present scarcity is due not to any failure of nature but to a human failure to make the products of nature available to those who need them. Against early economic crises brought about by drought or flood or pest there was nothing to be done but to distribute as equitably as possible the food supplies which remained. Nowadays the problem of shortage has been solved by science and the pooling of the world's resources. Not only need no one starve, but there is actually a superabundance of food and raw material in relation to the visible consumption. The farmer is unable to secure the just reward of his labour, although millions are starving or grossly undernourished for want of the supplies which he has actually placed ready to their hands. This paradox has sunk deep into the popular consciousness and has probably done more than anything else to destroy popular faith in the economic system. The argument that where plenty exists its proper distribution to the best general advantage can and should be effected by human forethought and organisation is really irresistible. That it should be left to the caprice of some obscure law, which apparently does not function, does not seem tolerable, particularly in the light of the spectacular triumphs achieved by science and method in other spheres of human activity. It therefore now seems reasonable to expect Governments to devote the same energy, ingenuity and attention to the provision of the elementary needs of feeding, clothing and shelter on a civilised scale as to the provision of air communications, wireless services and elaborate systems of national defence.

The revelation of this profound psychological change is perhaps the outstanding lesson of the present depression. It has been brought home to every Government of every civilised country, whether conservative or radical, democratic or dictatorial in its complexion. All alike are increasingly conscious of what Mr. Mussolini has termed " the transition from the old economic system which laid its stress on individual profit to that which is

aiming at the collective interest "¹. The same thought was expressed by President Roosevelt when he defined the measure of restoration as consisting "in the extent to which we apply social values more noble than mere monetary profit "².

It would be easy to adduce a string of quotations from the utterances of statesmen of many countries to show how far the obligation of the State to ensure not only the political but the social security of its people has been recognised as imperative. Instead of being at the mercy of the winds and tides of economic vicissitude, the "national standard of living" is being more and more considered as something almost inalienable, which must stand in the forefront of the preoccupations of the State. This is the real source of the demand for "planning". "Planning" is no longer looked upon simply as a means to greater efficiency, which will achieve greater production or procure a larger share of the world's markets. Its primary objective is social, to guarantee not only greater wealth but its better distribution, to eliminate waste not only of material but also of human values. The general aim required of it is that "of meeting the problem of under-consumption or adjusting production to consumption, of distributing wealth and products more equitably, of adapting existing economic organisation to the service of the people"³. It follows that the distinction between social and economic phenomena is no longer desirable as under the old self-adjusting system. The outlook of Governments is no longer one-eyed. Social and economic consequences are now viewed simultaneously. In the case of particular measures, the emphasis may be placed on one or the other aspect, but the range of vision now consciously embraces both.

In last year's Report attention was drawn to the various attempts which had already been made in the direction of "planning". As was pointed out, social legislation and collective bargaining, the regulation of production and distribution by trusts and cartels, the operation of public utilities by the State, the control of commercial exchanges through tariffs and quotas, all involved deliberate interference with the play of economic forces. During recent years the intervention of the State in agriculture in France, Germany, Great Britain and the United States, the monetary action taken by Argentina, Australia, Germany, Great Britain, Japan, Sweden and the United States, the new forms of industrial organisation initiated

¹ Speech at Milan, 6 Oct. 1934.

² Inaugural Address, 4 March 1933.

³ FRANKLIN D. ROOSEVELT: *Looking Forward*, p. 32.

in Italy and the United States, the far-reaching schemes of public works and unemployment relief adopted in a number of countries, and finally the comprehensive planned economy of the Union of Soviet Socialist Republics, have afforded ample evidence of the rapid extension of "planning", differing widely as to the degree of its social purpose and immensely variegated in its method, but implying a wholesale abandonment of the old principles of *laissez-faire*.

During 1934 not only has this tendency been accentuated, but results, some of them of an encouraging character, have begun to appear. The main task of the present Report, therefore, seems to lie in tracing the social effects of these developments. It is not proposed to undertake any detailed survey of the economic events of the past year, but only to glance at them in their social context. In this way it may be possible to obtain a clearer view of the social implications of the new type of economic structure, which appears to be emerging, and of the practical problems involved in social planning. From this follows an easy transition to the particular consequences affecting the International Labour Organisation. We have already moved so far from the conditions with which its founders were familiar that it is not too soon to review the stage already reached and to try to discern the direction in which the path is now leading. It is not only the immediate problems of the crisis which concern us, but also the new orientation which the profound changes taking place before our eyes inevitably suggest for the future. This Report is therefore planned not only in view of a debate which will treat the burning questions of the moment, but also in the hope of eliciting ideas from the Conference for the future guidance of the Organisation. The momentous extension of its horizon through the entry of the United States and the Union of Soviet Socialist Republics renders such a comprehensive survey all the more necessary. The life of individuals or of institutions consists of a continuous process of adjustment to changing conditions. Inability to make the necessary adaptation to new surroundings or altered circumstances implies a failure of vitality, which foreshadows stagnation, decay and ultimately death. The International Labour Organisation is not exempt from this universal law. The time for beginning a general stocktaking can hardly be much longer delayed. Hence the justification for presenting such fundamental considerations to the Conference, even in a year when its agenda is already heavily loaded.

CHAPTER II

RECOVERY AND EMPLOYMENT

In previous Reports the extent of unemployment was taken as the test of the success of the measures adopted to meet the depression from a social point of view. It is significant of the change of outlook pointed out in the previous chapter that the unemployment figure is now coming more and more to be regarded as the test of recovery from the economic standpoint also. Strictly speaking, this may be a confusion of ideas; but it is another indication of the refusal of public opinion to consider the improvement of production, the growth of retail sales or the appreciation of securities as in themselves satisfactory, unless they are accompanied by a corresponding reduction of unemployment. From this change of emphasis springs a growing feeling that some more radical cure for unemployment must be attempted. Even comparative prosperity is no longer thought bearable if there still remains a large army of idle men and women, boys and girls, whose lives, both present and future, are blasted by the inability of society to find them an outlet for their creative and earning powers.

As the crisis has progressed, the general public has become increasingly aware of the human tragedies which chronic unemployment produces. The first instinct was to alleviate distress by relief either in cash or in kind. The adoption of this method has been rapidly generalised. It seemed to offer a comparatively easy solution; but as time has gone on it is being realised that, though relief wards off actual starvation, it does not prevent the progressive undernourishment and demoralisation of individuals and families in cases where unemployment is of long duration. It is also being realised that it affords no solution at all in the case of the young, whose aptitude for work and whose whole moral fibre may be permanently weakened, if they are unable to learn a job and turn their energies to some active and productive purpose in the formative period of their lives.

As a consequence, there are clear signs of a reaction setting in against the sufficiency of relief without work. Under the unrelenting strain of the depression the maintenance of the idle at the public expense until better times return is no longer considered adequate. The insistence on the necessity of the State adopting energetic measures to create work, either indirectly by stimulating the revival of industry or directly by initiating work-giving schemes of national development, is manifestly gaining momentum. Thus, in the United States President Roosevelt denounces relief as "a narcotic, a subtle destroyer of the human spirit" and declares: "I am not willing that the vitality of our people be further sapped by the giving of cash, of market-baskets, of a few hours of weekly work cutting grass, raking leaves or picking up papers in the public parks. We must preserve not only the bodies of the unemployed from destitution, but also their self-respect, their self-reliance and courage and determination."¹ Similarly, in Canada Mr. Bennett, the Prime Minister, denounces the dole as "a condemnation, final and complete, of our economic system. If we cannot abolish the dole, we should abolish the system."² Early in the depression Signor Mussolini expressed his preference for "public works, which increase the wealth of the country, to unemployment benefit, which accustoms the worker to the condition of an unemployed person"³. In Great Britain, the four Commissioners appointed to report on the distressed areas were unanimous in urging the initiation of schemes of public works, afforestation or land settlement financed by the State, and it is significant that when the Government proposed a grant of £2,000,000 for the purpose, the general criticism was not that such expenditure was unprecedented and unorthodox, but that it was insufficient. Sir William Beveridge⁴, the original architect of unemployment insurance, insists that when benefit is exhausted "the unemployed who go on being unemployed do not need just cash payments". He urges "a fresh attack with all the forces of Government and all the present ingenuity of our people on the problem of depressed areas or decayed industries". In Germany and Sweden the provision of work has been given precedence over all other considerations in the measures adopted for recovery.

All these examples, to which others could be added, indicate the

¹ Message to Congress, 4 Jan. 1935.

² Broadcast address, 2 Jan. 1935.

³ Broadcast address, 1 Jan. 1931.

⁴ Broadcast address, 12 Feb. 1935.

direction in which thought is moving. The work-test is now being applied more and more to financial and economic measures as the ultimate proof of their soundness, and in reviewing the social history of the past year it is from this point of view that they will be primarily judged.

In attempting to estimate the success which has attended the various efforts to reduce unemployment, the first step consists in an analysis of the fluctuations of employment during the past year. As has already been pointed out, there was a general improvement in 1934 as against 1933, which is evident from the accompanying

FIG. 2. — INTERNATIONAL INDEX OF UNEMPLOYMENT
(1929 = 100)

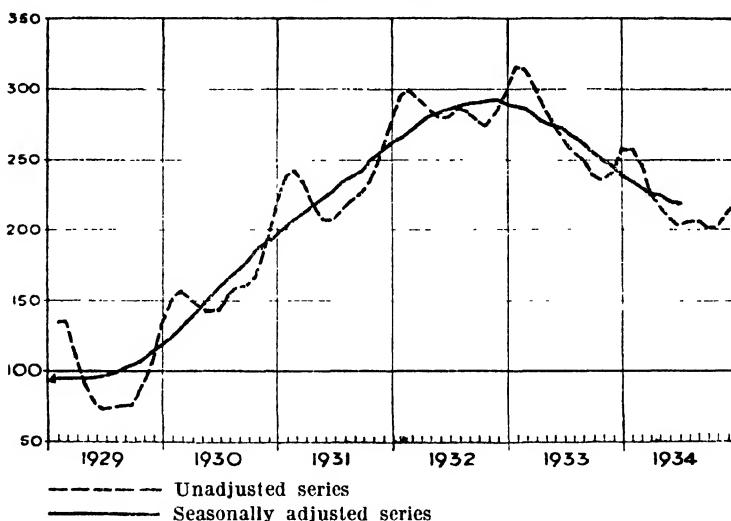


chart showing the curve of world unemployment. Making allowance for seasonal variation, the peak of unemployment was reached in the autumn of 1932 when the index stood at 280 (1929 = 100). Since that time there was a steady and uninterrupted fall until July 1934 when the figure stood at 217. This general decline in unemployment corresponds with the movement of world production, which continued to show a general upward tendency. It may be noted therefore as a starting-point that the improvement in the world employment position which was observed in last year's Report has been continued during 1934, though after the spring the pace began to slacken.

A closer scrutiny of the statistics shows, however, that this progress has been very unevenly distributed. The world total is necessarily a very summary and approximate estimate, which covers wide discrepancies between the employment experience of individual countries. In order to obtain a clearer view of the forces at work to increase or to diminish employment, it is therefore necessary to look at the national records and to attempt to classify them.

Admittedly, the various national statistics of employment and unemployment are far from furnishing a satisfactory basis for international comparison. They are not established on any uniform system and have therefore to be used with caution. Nevertheless, by putting together the data available for each country as to employment, unemployment, prices and production it is possible to form a fairly good idea of its general situation.

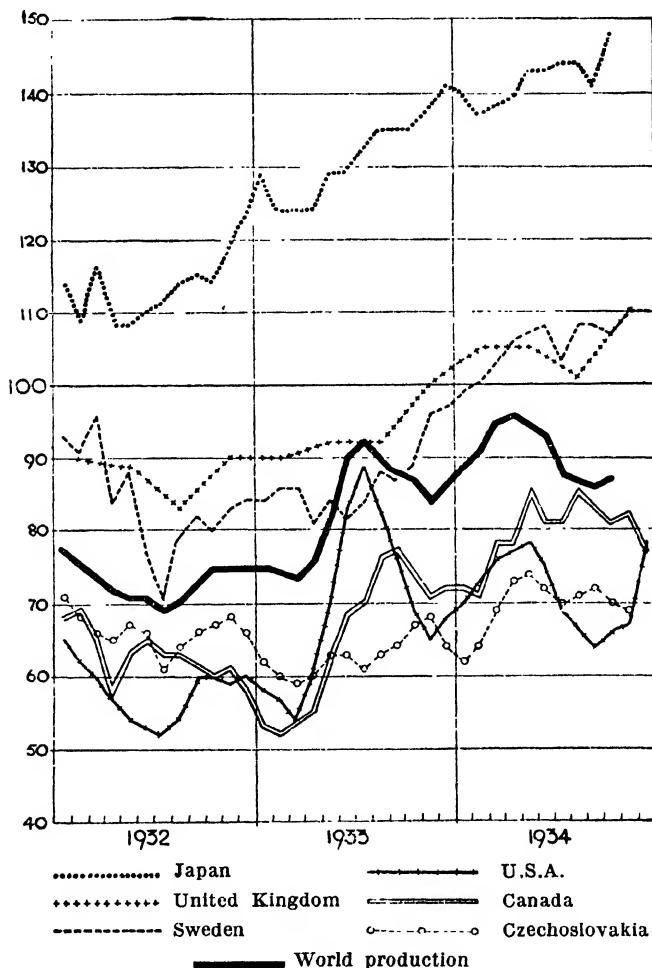
One broad inference emerges from a first glance at the available data, namely, that the countries which kept their exchanges at parity fared with one or two exceptions decidedly worse in 1934 than those which had depreciated their currencies. Following up this general indication, it may be helpful to look at the employment and economic position in terms of rough currency groups, without however assuming that currency has necessarily been the only or even the decisive factor in determining it.

A beginning may be made with Japan, which clearly shows the best employment record at the present time. During the past year the unemployment figure has continued to decline, until in September only 4.9 per cent. of the industrial workers were out of work, which may be regarded as a normal amount in prosperous times. In that month the index of unemployment was 8.9 per cent. lower and the index of employment 20 per cent. higher than in September 1930, while industrial production had increased by 35-40 per cent. It therefore appears that the volume of industrial employment has steadily increased since 1932. Industry has absorbed not only the major part of the unemployed but has also kept pace with the annual increase of the population. On the other hand, there has been a rise of about 20 per cent. in wholesale prices since the devaluation of the yen, which may have brought some benefit to the farming population, whose position is none the less still difficult.

In last year's Report some account was given of Mr.Takahashi's expansionist policy, to which the above results must no doubt be

principally attributed. Some further points may be noted as throwing more light upon it. Each year since the onset of the depression there has been a considerable deficit on the budget

FIG. 3. — PRODUCTION INDEXES OF COUNTRIES WITH CURRENCIES OF REDUCED GOLD CONTENT
(1928 = 100)

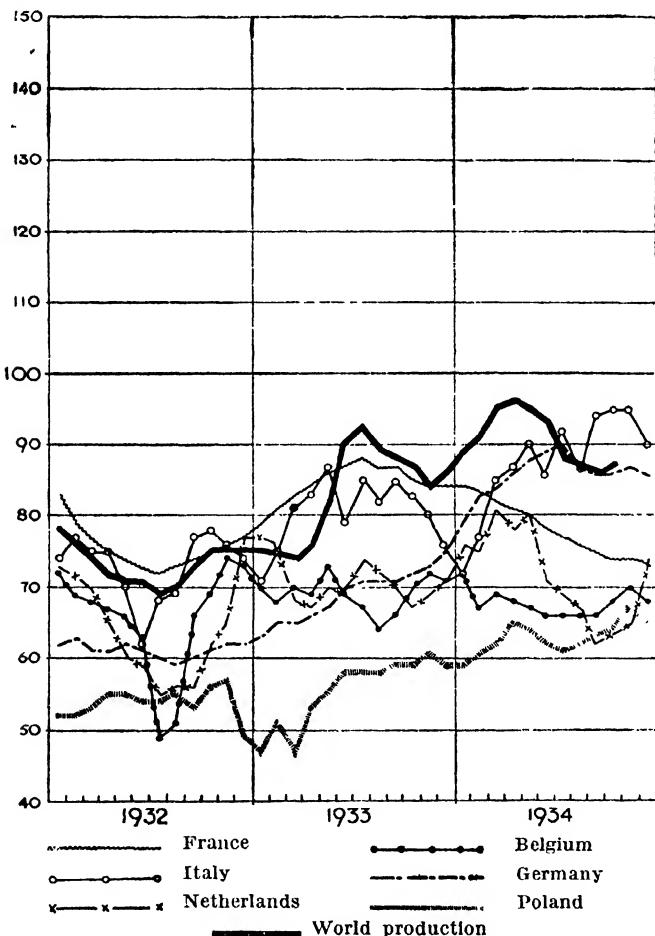


SOURCES: *Monthly Bulletin of Statistics* (League of Nations) and *Vierteljahrsshefte zur Konjunkturforschung* (Institut für Konjunkturforschung).

rising from 105,200,000 yen in 1931-1932 to 932,400,000 in 1933-1934 and dropping back to 785,000,000 for 1934-1935. These deficits have been covered by loans, taxation having been increased very slightly, while at the same time a cheap money policy has been

followed and the amount of notes in circulation has shown a small expansion (1,143 millions in 1931, 1,270 millions in 1934). It should be pointed out, however, that the additional expenditure

FIG. 4. — PRODUCTION INDEXES OF COUNTRIES WITH CURRENCIES OF UNREDUCED GOLD CONTENT
(1928 = 100)



SOURCES: *Monthly Bulletin of Statistics* (League of Nations) and *Vierteljahrsshefte zur Konjunkturforschung* (Institut für Konjunkturforschung).

made possible by these methods has been devoted only in part to public works, having mainly been utilised for national defence. Under the latter heading expenditure rose from 659,200,000 yen in 1932-1933 to 819,000,000 in 1933-1934 and 937,000,000 in

1934-1935¹, which no doubt largely accounts for the growth of output of pig-iron by 80 per cent. and of steel products by some 90 per cent. since 1931. As to public works and other forms of relief, expenditure ran to 205,500,000 yen in 1932-1933, 365,300,000 in 1933-1934, 263,900,000 in 1934-1935.

The above particulars have been given at some length, as it is important to understand the circumstances which enabled Japan to preserve a high level of employment throughout the period of world depression. In some quarters there may be a tendency to ascribe this achievement to the great increase of Japanese exports. The actual figures show that they fell from a peak of 2,101 million yen in 1929 to 1,118 million in 1931, since when they have steadily increased once more and in 1934 reached a total of 2,134 million, about the same figure as before the depression. Of course the gold value of world trade has considerably shrunk in the meanwhile, but even so Japan's share has only risen from 2.87 per cent. in 1929 to approximately 3.5 per cent. in 1934. It is true that the physical volume of exports has increased to a considerably greater extent than these figures would indicate. Precise data are not available, but some idea may be gained from the fact that whereas in 1932 the value of Japanese exports in terms of gold had sunk over 60 per cent. since 1929, the quantum had fallen by less than 6 per cent. While in no way underestimating the importance of the foreign trade element in Japanese prosperity, it can nevertheless hardly be doubted that the principal cause of the recovery of production and the prevention of serious unemployment is to be found in the Government's expansionist policy. Mr. Takahashi claims that for the present the unbalanced budget involves no danger to financial stability, while recognising that a change of policy may later become advisable². Up to the present time, the Japanese expansionist policy has been singularly successful in stimulating employment and business activity, nor does the additional burden of public debt seem likely to prove unbearable³.

Another country which has made a remarkable advance by expansionist methods is Sweden. In December 1933 there were 130,000 applicants for work registered, while the trade union

¹ Dr. K. ABE: *Hijoji Zaisei Tokuhon* (Emergency public finance). Tokyo, 1934.

² Speech, *Osaka Asahi Shimbun*, 25 Dec. 1934.

³ In this respect Japan is particularly well placed, the public debt per head in 1934 expressed in Swiss francs amounting to only 119, as against 220 in Germany, 300 in Sweden, 650 in Italy, 670 in the United States, 2,222 in France (1932 figure) and 2,724 in the United Kingdom.

returns showed that 27.7 per cent. of their membership were without jobs. By July 1934 both these figures were reduced by nearly 50 per cent., and though there was some increase in the later months of the year, it does not seem to have been more than seasonal. These results correspond to a steady increase in foreign trade and in industrial production, which rose from 97.1 per cent. of the 1928 average in December 1933 to 109.6 per cent. in December 1934. Here again the Government, after devaluing the currency to keep it about 7 per cent. below the pound sterling, adopted a bold public works policy financed by loan. In 1933-1934 the budget was deliberately unbalanced for the purpose of financing non-revenue-producing public works which previously had always been paid for by taxation. The Government estimated to borrow a total of 269 million crowns, equivalent to about 25 per cent. of the ordinary budget, but in fact only about 163 million crowns were actually expended. The estimate for 1934-1935 was 282 million crowns. In order to launch this programme of loan expenditure, advantage was taken of the monetary conditions, which were particularly favourable. The stimulation of exports and the restriction of imports, due largely to the depreciation of the currency, contributed to a big inflow of gold and foreign exchange, which rendered a cheap money policy possible. The long-term rate of interest fell steadily, the yield of Government bonds having been 4.22 per cent. in May 1933 and 3.01 per cent. by the end of 1934. As the figures quoted above indicate, a marked improvement resulted from these measures. The Government apparently considers that the situation is practically normal and the estimates for 1935-1936 have been drawn up on more conventional lines. Loan expenditure will be again confined to revenue-producing works and is estimated at not more than 137 million crowns. A combination of expanding exports, cheap money and a public works programme has been remarkably successful in bringing Sweden through the depression. Denmark, Finland and to a less extent Norway likewise show an improvement over 1933, but in no case has a satisfactory employment situation yet been reached.

Among other European countries that have ameliorated their economic position by positive action, Portugal requires to be mentioned as having followed a courageous financial and public works policy with marked success. Under the leadership of Professor Salazar, the whole economic and financial situation of the country has been materially improved during the last six years.

In Great Britain and Northern Ireland the improvement registered

in 1933 was on the whole continued in 1934, though at a slower rate. The unemployment figure dropped gradually from 2,263,000 in December 1933 to 2,086,000 in December 1934. The index of total and partial unemployment which averaged 20 per cent. in 1933 fell to about 16 per cent. in June 1934 and remained at about that level for the rest of the year, while the number of persons employed in Great Britain is now equal to the 1929 average. At the latter date, however, there were already about a million and a quarter seeking work, in addition to which the increase of 900,000 in the industrial population that has since taken place has for the most part not yet been absorbed. In effecting this considerable, though still partial, recovery, the depreciation of the currency and the various measures adopted to expand credit at cheap rates have played the principal part. To the latter cause must be ascribed the remarkable boom in building. The index for residential building (1928 = 100), which stood at 100.9 in 1931, rose to 155.3 in 1933 and to 173.4 in 1934. Most of this activity was due to private initiative, though it was helped to some extent by Government aid for slum clearance. In industry generally production advanced above the 1928 level. On the other hand, exports, though recovering slowly throughout the year, still represented only about half their sterling value in 1924. As regards quantity, there has been little change over the last four years, the estimated percentage of the 1929 quantum being 62.7 in 1931, 62.9 in 1932, 64.2 in 1933 and 69.1 in 1934. Although considerable progress has thus been made, there still remains a serious unemployment problem, which is provoking a demand voiced in many quarters for a vigorous public works policy to supplement the measures already taken.

In the United States, although production and prices have advanced considerably since the low point of March 1933, the mass of unemployment is still considerable. The number on the relief rolls has actually showed an increase, as the exhaustion of savings has forced men and women who had previously held off to apply for help. In the absence of official figures it is impossible to estimate the total number of the unemployed with any approach to accuracy. The American Federation of Labor reckoned that in October 1934 it amounted to 10,671,000, about the same figure as a year before¹, while the employers' returns

¹ This figure includes persons employed on public works, relief works and in conservation camps.

for manufacturing industry show that throughout the year the index of employment fluctuated between 70 and 79 per cent. of the 1923-1925 average, or about 10 points better than the previous year. Production likewise showed little general improvement, though after declining throughout the summer it picked up somewhat in the autumn. The durable goods industries and the building trade in particular remained very slack, the latter operating at less than 30 per cent. of its 1923-1925 activity. The progress made in 1934 has been considered disappointing, particularly having regard to the heavy expenditure of the Government. Two points must, however, be borne in mind. The fundamental disequilibrium which produced the crisis being greater in the United States than elsewhere, the shock which the economic system received was bound to make recovery long and laborious. Even the considerable sums voted by Congress were not enough to fill the gap left by the absence of confidence, which reduced investment in private enterprise to infinitesimal proportions¹. Secondly, a large part of the money voted was not in fact spent. In the case of public works, for instance, of the \$3,700 million appropriated only \$2,000 million had actually been disbursed by the end of 1934, by which time over 1,000,000 persons were finding employment directly in connection with the public works programme. The increasing volume of expenditure under this head may partly account for the signs of improvement in the last months of the year, and it is altogether probable that without the considerable amount of money put into circulation through the various agencies of Government the economic and employment situations would have been far worse than was actually experienced. As in the case of Japan, the amount of American public debt so far incurred is not such as seriously to affect the financial stability of the country², and the Government has announced its determination to pursue its expansionist policy by including \$4,000 million for public works in the budget for 1935-1936, by which it is hoped to put 3,500,000 men back to work. Even though the results obtained in the United

¹ New capital investments in private enterprise in the United States (in millions of dollars):

| | | | |
|----------------|-------|----------------|-----------------|
| 1929 | 8,002 | 1932 | 325 |
| 1930 | 4,483 | 1933 | 160 |
| 1931 | 1,551 | 1934 | 144 (11 months) |

(*Federal Reserve Bulletin*, Dec. 1934.)

² See footnote³, p. 18.

States have not come up to some of the more sanguine anticipations, it is certain that immense progress has been made since March 1933, and it is equally certain that without the bold and comprehensive action of the Government that progress would not have been accomplished.

In Canada an amelioration took place in 1934, which is noticeable in the indices both of production and unemployment. The index of industrial production which averaged only 65.2 of the 1928 total in 1933, rose last year to 79.5, a reflection of the upward movement which took place in most branches of industry. Similarly, the trade union percentage of unemployment, which had averaged about 22 per cent. during the two previous years, dropped to 18 per cent. in 1934, although the number of applicants for work registered by the employment exchanges was rather higher than in 1933.

No statistics of employment are available for most of the other American countries, but there is reason to believe that a considerable improvement took place in most of them. In Argentina the reorganisation of the foreign exchange market has made possible an improvement in the price of agricultural products for export, and thereby alleviated the economic situation generally. At the same time a public works programme has been put into operation to relieve unemployment. In Brazil and Chile, where rather different methods were adopted, there was also a distinct advance on 1933. In Brazil there was a considerable development of manufacturing industry prompted by the difficulty of financing imports owing to the reduced sale of Brazilian produce abroad. The output of coal, textiles and metal goods show a sharp rise, and the volume of industrial employment has increased. In Chile the number of applicants for work fell from 65,000 in January 1934 to 18,000 in January 1935. The economic position of Mexico likewise continued to improve throughout 1934, particularly in respect of exports, the value of which rose from a monthly average of 25.39 million pesos in 1932 to some 50 million in 1934. On taking office, General Cardenas, the new President, announced his intention of prosecuting the six-year socialisation plan drafted in 1933 for the reconstruction of industry, agriculture and commerce, as well as the creation of fresh employment for those without work.

In Australia the year 1934 saw an improvement in business activity and employment in spite of the depressing influence of a marked decline in the price of wool. Unemployment among

trade unionists fell from 23 per cent. in the last quarter of 1933 to under 19 per cent. in the corresponding period of 1934. The improvement appears to have been due in part to the increase in purchasing power consequent on a rise in export prices during the 1933-1934 season—a rise which has not been maintained—and in part to an increase in both public and private investment. The building trade, in particular, has been much more active than in any year since the depression began. In New Zealand also there was some decline in unemployment and an improvement in the general situation, consequent on improved receipts from exports during the 1933-1934 season. Export prices remained, however, at a low level and the difficulties of agricultural producers, accentuated by the prospect of stricter limitation of imports into Great Britain, led to important legislative measures for controlling and co-ordinating exports and for rehabilitating farm finances.

Some reference may also be made to the position of China and India, although statistics of unemployment exist for neither country. In China the silver crisis, accentuated by the silver purchases made on behalf of the United States Treasury, aggravated the economic position. In the autumn of 1934 the price of silver was more than double the low price of 12 $\frac{1}{8}$ pence reached in 1931, an appreciation in value which had serious consequences for the Chinese exchange. As a result, an adverse trade balance developed causing the export of silver on an enormous scale. This again led to disastrous results in the shape of the internal reduction of purchasing power and a partial collapse of prices and of trade. In order to arrest this process, the Chinese Government imposed in October a 10 per cent. export duty on silver and an "equalisation charge" aimed at cutting the exchange away from silver and attaching it to sterling. Moreover, the United States relaxed its silver purchases during the last three months of the year in response to Chinese representations.

In India the available statistics do not indicate any great change in the situation, but there appears to have been a certain amount of improvement. Both exports and imports were on a distinctly higher level than in 1933, while the production of cotton piece goods, of iron and steel and some other commodities showed a considerable increase, as did the figures of railway earnings. Perhaps the most encouraging sign was the fact that there was a recovery in the prices of a number of primary commodities, which had fallen to a disastrously low level. Taking all these factors into account, the Viceroy stated at the end of the year that

“India had passed the lowest point of the economic depression and that some sort of upward movement was in evidence”¹.

Finally, Czechoslovakia requires to be mentioned as an instance of purposeful devaluation, designed to bring Czechoslovak prices into harmony with world prices. In February 1934 the gold value of the Czech crown was written down by 16.6 per cent. At that time the export trade of the country had lost 70 per cent. of its value in 1929. Since devaluation there has been some improvement in the volume of production and of exports and definite improvement in the trade balance. The reaction of these gains on employment, however, has not been very marked. Though the number of applicants for work was smaller in each month of 1934 than in the corresponding month of 1933, it still remains high. In December 1934 there were still 752,000 persons out of work as compared with 780,000 in December 1933.

From the above survey it is evident that the countries with currencies depreciated since the depression have all improved their employment position to a greater or lesser degree. It may be asked, however, whether this result has not been less by depreciation itself than by the policies of internal credit expansion, cheap money, borrowing for schemes of national development or making money available on easy terms for private enterprise which abandonment of the gold standard made practicable. It remains to be seen what has been the effect of deflationary policies as practised by countries whose currencies have been maintained in a fixed relation to gold.

As the accompanying diagrams (pp. 26-29) illustrate, the wholesale price levels in these countries fell on the average some ten or fifteen per cent. more than in the countries with depreciated currencies. In a number of cases, however, this fall in wholesale prices was not accompanied by a corresponding decline in the cost-of-living index, a fact which has intensified the difficulties of the deflationary process.

Among the countries remaining on gold the Netherlands and Switzerland, whose currencies still retain the pre-war gold content, may be taken first. In the Netherlands the percentage of unemployment was very high at the beginning of last year, amounting in January to 40.1 per cent., nearly the highest point reached since the crisis set in. During the first six months there was an improvement, which brought the percentage down to 29.1 in June. Thereafter, however, the position again got worse, so that in December the unemployment percentage stood at 38.0.

¹ Address to the Associated Chambers of Commerce of India, 17 Dec. 1934.

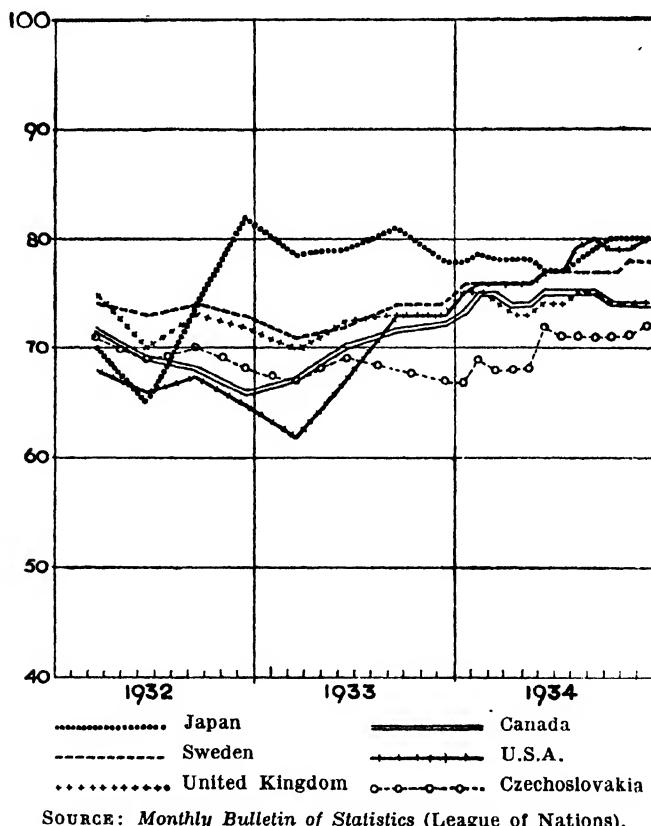
The same movement may be seen in the production index, which at the end of the year stood at 63.0 (1928 = 100), the lowest point reached since 1932. Not much has been done in the way of public works, with the exception of certain special relief works which are estimated to have given employment to about 50,000 workers per year during the last four years. In Switzerland the position was better. The index of total unemployment reached a high point in January 1934 at 16.0 per cent., to which must be added another 7.7. per cent. on short time, a total of 23.7 per cent. wholly or partially unemployed. Under seasonal influences this figure had dropped to 12.4 per cent. in June, though thereafter the index of total unemployment again tended upwards till it reached 20.1 per cent. in December. A considerable increase in the expenditure on public works of the Confederation, the cantons and the communes was budgeted for in 1934, the estimate amounting to 1,000 million francs as compared with 538 million francs in 1933. On the whole, the record for 1934 marked a slight improvement on the two previous years.

A second group of countries consists of those whose currencies had suffered depreciation in the early post-war period and were naturally reluctant to repeat the operation. This group comprises Belgium, France, Germany, Italy and Poland. In all of them except Germany reliance was placed primarily on deflationary measures, though the rigidity with which this policy was pursued varied considerably in degree. As regards unemployment, the least favourable experience was that of France, where the number of applicants for work rose from 345,000 in December 1933 to 455,000 in December 1934. Similarly, the industrial production index showed a decline from 84.3 (1928 = 100) in November 1933 to 74 in November 1934. A public works policy was inaugurated in the spring, providing for the use of the reserves of the Social Insurance Fund and the General Guarantee Fund to the extent of about 10,000 million French francs over a period of five years, but so far it has not been applied on any considerable scale.

The case of Belgium is somewhat different. Being a highly industrialised country dependent largely upon its exports, the depreciation of the currencies of many of its strongest competitors and the erection of trade barriers against its goods naturally affected its industrial activity severely, and this in spite of the fact that its share in the value of world trade considerably increased. In January 1934 unemployment reached a high point with 21.5 per cent. of the industrial population wholly unemployed and 18.9 per

cent. partially unemployed, making a total figure of 40.4 per cent. During the first six months some improvement took place, largely of a seasonal character, bringing the total figure down to 34 per cent., but since then it has increased again to 39.7 per cent. in

FIG. 5. — WHOLESALE PRICES IN COUNTRIES WITH CURRENCIES OF REDUCED GOLD CONTENT
(1928 = 100)



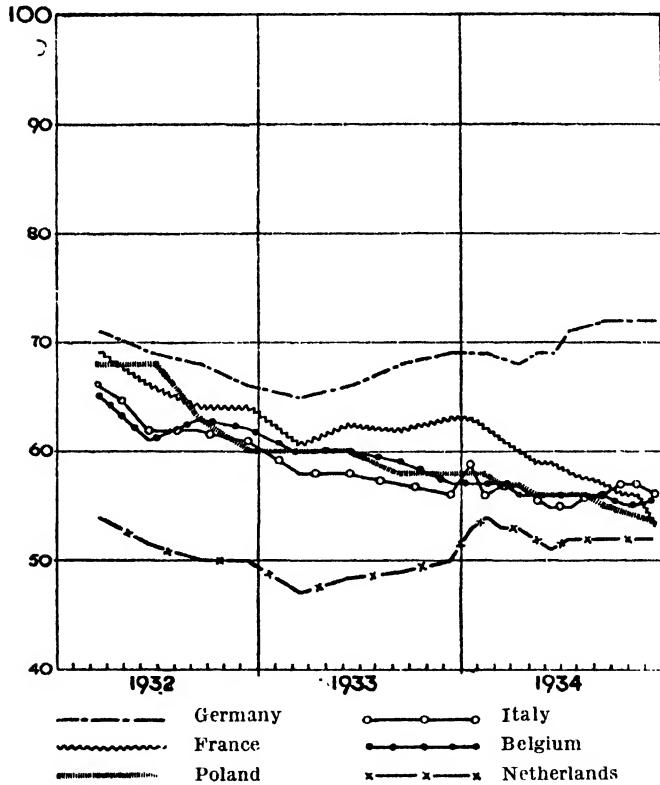
SOURCE: *Monthly Bulletin of Statistics* (League of Nations).

December. As a result, the year 1934 has shown little or no advance on 1933 in employment or production, in spite of the efforts made to reduce wages and prices.

In Italy and Poland there was a distinct turn for the better during the early part of the year. In Italy the number of wholly unemployed fell seasonally from a peak figure of 1,158,000 in January to 866,000 in August, but by December it had again reached 962,000, while in Poland the index fell from 19.0 per cent.

in January to 13.8 in August, but rose again to 19.7 in December as against 16.1 in December 1933. It may be noted that unemployment in Italy has been reduced to a considerable degree by the extension of the public works programme during the

FIG. 6. — WHOLESALE PRICES IN COUNTRIES WITH CURRENCIES OF UNREDUCED GOLD CONTENT
(1928 = 100)



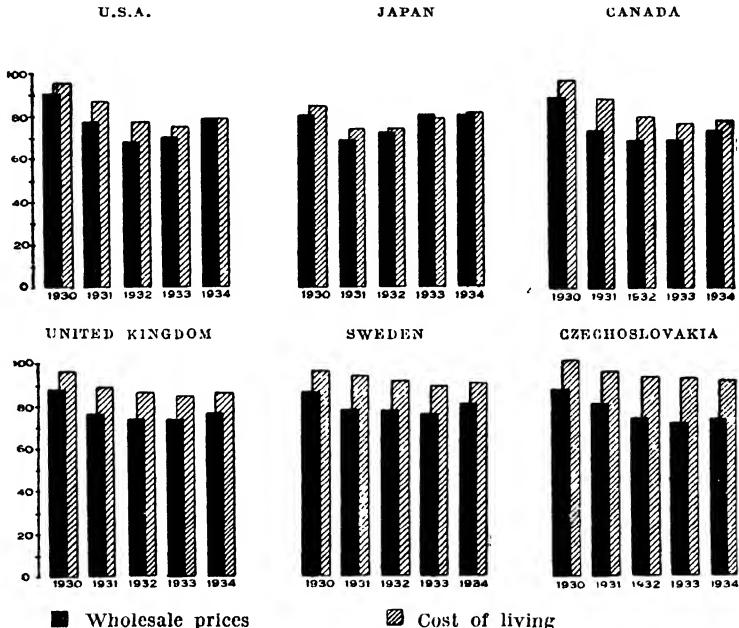
SOURCE: *Monthly Bulletin of Statistics* (League of Nations).

depression. In 1933 work for 51,000,000 man-days was provided, the equivalent of the employment of 170,000 men for 300 days, as against less than 22,000,000 man-days in 1926. In Poland, too, public works have also been speeded up during the last two years, and in 1934 about 100,000 men found employment on works for which money was made available by the Employment Fund, the Investment Fund and the Ministry of Social Affairs. Both countries showed a fairly appreciable improvement in the

production figures in comparison with the previous year, and Poland a remarkably even decline in the cost of living.

Finally, the case of Germany requires separate treatment. Owing to the lack of complete information it is particularly difficult to estimate the precise nature of the reorganisation to which the

FIG. 7. — WHOLESALE PRICES AND COST OF LIVING IN COUNTRIES WITH CURRENCIES OF REDUCED GOLD CONTENT
•
(1928 = 100)

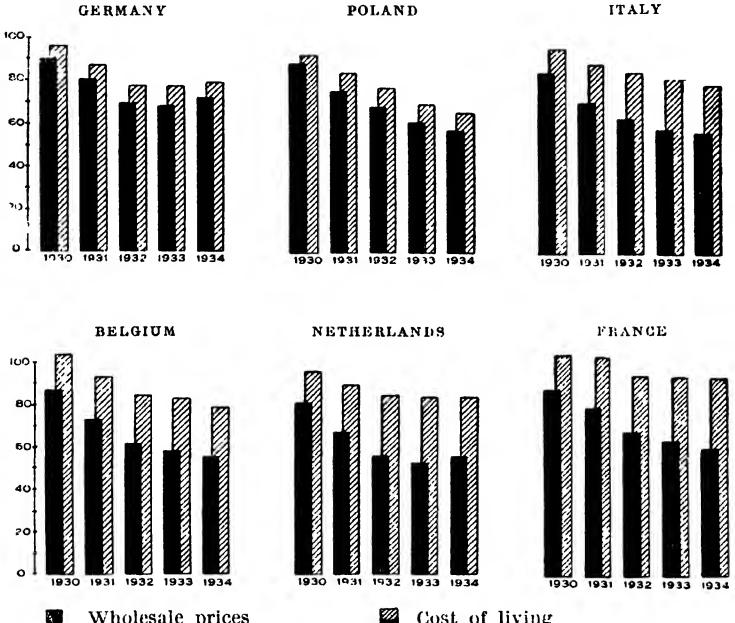


SOURCE: *Monthly Bulletin of Statistics* (League of Nations).

national economy is being subjected. Though technically the currency has been kept on the gold standard, the various measures taken to control foreign exchanges and to differentiate between the external and the internal value of the mark make it impossible to apply the ordinary criteria. On the one hand, there is no doubt that there has been a considerable reduction of unemployment. The number of registered unemployed declined from 3,772,000 (20.2 per cent.) in January 1934 to 2,974,000 in January 1935 (16.1 per cent.). This improvement is partly accounted for by the increase of industrial production, which averaged 87.8 for the first eleven months of 1934 as against 69.0 in 1933 (1928 = 100). A further factor which certainly contributed to ameliorate the

employment position was the extensive public works programme. According to the information available, the total estimated expenditure in June 1934 was 5,448 million RM., of which nearly 3,000 million RM. was furnished by the Government and the remainder by other public authorities. Of this sum 2,400 million RM. had already

FIG. 8. — WHOLESALE PRICES AND COST OF LIVING IN COUNTRIES WITH CURRENCIES OF UNREDUCED GOLD CONTENT
(1929 = 100)



SOURCE: *Monthly Bulletin of Statistics* (League of Nations).

been spent. It must also be remembered that part of it was devoted to works executed by labour service, for which the remuneration is very small, and that the number of persons employed was therefore larger than would have been the case had they been in receipt of wages or even the usual relief scales.

As against these favourable results must be set a serious decline of export trade as compared with 1933, the value of exports (monthly average) having fallen to 347 million RM. in 1934 as against 406 million RM. in 1933 and 1,055 million RM. in 1929. In order to maintain an active trade balance severe restrictions were applied to imports. These restrictions were imposed as an alternative to adopting a policy of systematic deflation. The steady

rise in prices and the great increase in the liquidity of the money market alike indicate that in fact an expansionist monetary policy has been pursued. Public works of various kinds have been financed by loans advanced by institutions such as the *Gesellschaft für öffentliche Arbeiten*, the *Rentenbank-Kreditanstalt*, the *Verkehrskreditbank* and the *Bau- und Bodenbank*. When a public works scheme has been approved, the contractor draws a bill on the authority responsible for the work. The bill is then presented for acceptance to one of the financial institutions and can then be discounted at any bank and rediscounted by the Reichsbank. The payment of these bills, which are known as "employment development bills" (*Arbeitsbeschaffungswechsel*) is guaranteed by the State. In fact, a very large proportion of these bills have been discounted by the Reichsbank, which in November 1934 held nearly $1\frac{3}{4}$ milliard RM. out of $2\frac{3}{4}$ milliard RM. in circulation¹. In addition, tax certificates were issued to taxpayers in return for certain taxes paid before 30 September 1933. These certificates, representing as a rule 40 per cent. of the tax, might be deposited as security for credits granted by the Reichsbank and other banks, and thus helped indirectly to stimulate employment. The value of these certificates still in circulation in September 1934 was about 1.2 milliard RM. Altogether, the new credit issued in virtue of the employment development bills, tax certificates and treasury bills amounted in September 1934 to about 5 milliard RM.

The general result of the financial operations carried out in connection with public works has been a considerable expansion of credit, which is reflected in an increased velocity in the circulation of money. The volume of postal cheque transactions, bank clearings and the clearings of the Reichsbank rose by $4\frac{1}{2}$ milliard RM. in 1934, but there was little increase in the amount of notes and coin in circulation. It may also be noticed as further evidence of the expansionist policy pursued that prices in Germany have tended to rise instead of falling as in the gold-bloc countries. The immediate effect on production and employment has certainly been favourable, but it has been achieved at the expense of restricting imports, reducing exports, withholding the transfer of foreign debts and mortgaging future revenue.

This rapid survey may be concluded with a brief glance at the progress registered in the Union of Soviet Socialist Republics. Its economic and social structure is so different from that of other

¹ *Der Deutsche Oekonomist*, 30 Nov. 1934, p. 1573.

countries as to render inapplicable most of the tests applied to the rest of the world. The Soviet system is a whole and cannot be fairly or adequately judged piecemeal. It must therefore suffice to note one or two of its more salient features during the past year.

In the first place, the payment of relief to the unemployed has been discontinued since the end of 1930. That a great volume of employment has been created by the rapid industrialisation of the country is shown by the growth of the number of wage earners from 12,167,900 in 1929 to 23,225,000 in 1934. This is no doubt the principal factor making for the absence of an unemployment problem at the present time. Despite any qualifications that may be suggested, the claim that there is little unemployment in the Soviet Union is probably justified. Of this evidence may be found in the table printed in Appendix I showing the increase of production achieved in 1934. Considerable progress has been accomplished in the case of coal, petroleum, electricity, iron and steel, machinery and motor-vehicles, but there was some falling off in the output of cotton fabrics and of boots and shoes.

A second feature worth remarking is the general introduction of payment by results. Mr. Molotov impressed this point upon the Central Committee of the Communist Party in the following terms¹:

“We must admit that the middle-class idea of wage standardisation is not easy to root out; but rooted out it must be, for if standard wages are not abolished it will be impossible to operate a system of payment for labour such as will favour the best workers, those who honestly do their bit; and such a system is in the interest not only of the workers, but also of the whole proletarian State.”

The condemnation of equality of remuneration implies the condemnation of equality of incomes. In order to make the inducement of higher pay effective, it follows that a wider range of goods must be available to the better-paid workers. A striking proof of this fact is to be seen in the abolition of bread cards, which is to be followed by the suppression of all rationing. As a consequence, “the restriction which existed under the rationing system and which in fact resulted in a certain levelling of the rewards of labour will now disappear. The control of the amount which the worker consumes by the amount of work he performs will now be secured, as Lenin and Stalin always required, far more completely

¹ *Izvestia*, 29 and 30 Nov. 1934.

and thoroughly than when the system of food cards obtained." ¹ In other words, two far-reaching changes have been introduced in the Soviet social system, aiming at greater efficiency on the one hand, and involving greater individuality of living on the other.

A similar tendency may be seen in the attention paid in the Plan for the second five years to increasing the production of consumers' goods. For 1935 it is intended that the output of sugar should be increased by 16.3 per cent. as compared with 1934, butter by 5 per cent., bread by 35 per cent., tea by 32.1 per cent., linen and textiles by 103.7 per cent., hosiery by 37.6 per cent., china plates by 61 per cent., electric lamps by 27.3 per cent., gramophones by 117 per cent., bicycles by 25 per cent. and so on. During the whole quinquennial period 1933-1937 it is intended to increase production by 117.2 per cent. in the light industries and 161.6 per cent. in the foodstuffs industries as against 103.9 per cent. in the heavy industries.

Whereas during the first five-year period the principal effort was devoted to creating the means of production, during the second period the emphasis has been rather on improving the general standard of living. It is true that during the first two years expectations were not fully realised in this respect, but a substantial improvement is anticipated in 1935.

A compendious summary of the foregoing survey of the distribution of unemployment in the world may be found in the annexed table showing the national indices of the general level of unemployment. The interest of this table is that it reduces the indices of whole-time unemployment to a uniform scale, 1929 being taken as the base year. By this means it is possible to judge approximately the increase of unemployment due to the depression and the success with which it has been combated in the last five years. From these figures it at once becomes evident that the partial recovery which has so far taken place is far from having brought the unemployment problem within reasonable bounds. No country has succeeded in bringing its unemployment figure down to the 1929 level, while only seven, namely, Australia, Denmark Germany, Great Britain, Japan, Norway and Sweden, have less than twice as much unemployment as in 1929. Moreover in the case of Germany and Great Britain it must be borne in mind that at that date there were already nearly 2,000,000 and over 1,000,000

¹ *Pravda*, 10 Jan. 1935.

INDEXES OF UNEMPLOYMENT AND EMPLOYMENT IN CERTAIN COUNTRIES

| Country | Kind of statistics | Base figures (average for 1929) | Indices (1929 = 100) | | | | |
|------------------------|------------------------------------|---------------------------------------|----------------------|------------------|-------|------------------|------------------|
| | | | 1930 | 1931 | 1932 | 1933 | 1934 |
| I. Unemployment | | | | | | | |
| Australia | Trade union returns. | 11.1 % | 174 | 247 | 261 | 226 | 185 |
| Austria | Unemployment insurance statistics. | 12.5 % | 127 | 162 | 209 | 232 | 210 |
| Belgium | Do. | 1.3 % | 277 | 838 | 1,462 | 1,304 | 1,458 |
| Canada | Trade union returns. | 5.7 % | 195 | 295 | 386 | 391 | 320 |
| Czechoslovakia | Trade union fund returns. | 2.2 % | 205 | 377 | 614 | 768 | 789 |
| Denmark | Do. | 15.5 % | 88 | 115 | 205 | 186 | 143 |
| France | Employment exchange statistics. | 10,052 | 138 | 748 | 3,065 | 3,063 | 3,745 |
| Germany | Do. | 9.9 % ¹ | 164 | 239 ² | 304 | 260 | 146 |
| Great Britain | Unemployment insurance statistics. | 10.4 % | 155 | 205 | 213 | 191 | 162 |
| Italy | Social insurance fund statistics. | 300,787 | 141 | 244 | 335 | 339 ² | 320 |
| Japan | Official estimates. | 4.0 % ¹ | 135 | 153 | 170 | 140 | 128 ³ |
| Netherlands | Unemployment insurance statistics. | 8.0 % | 121 | 229 | 374 | 393 | 399 |
| Norway | Trade union fund returns. | 15.4 % | 108 | 145 | 200 | 217 | 199 |
| Poland | Employment exchange statistics. | 4.9 % | 180 | 257 | 241 | 243 | 333 |
| Sweden | Trade union returns. | 10.7 % | 114 | 161 | 213 | 221 | 177 |
| Switzerland | Unemployment insurance statistics. | 3.6 % | 292 | 500 | 592 | 538 | 442 |
| United States | Trade union returns. | 8.2 % | 177 | 233 | 290 | 296 | 255 |
| II. Employment | | | | | | | |
| Canada | Employers' returns. | 119.2 | 95 | 85 | 73 | 71 | 81 |
| Czechoslovakia | Social insurance statistics. | 100.7 | 98 | 92 | 83 | 75 | 75 |
| France | Returns of labour inspectors. | 100.0 | 100 | 93 | 81 | 79 | 77 |
| Germany | Sickness insurance statistics. | 17,595,347 | 93 | 81 | 71 | 74 | 85 |
| Great Britain | Unemployment insurance statistics. | 10,223,000 | 96 | 92 | 92 | 95 | 98 |
| Hungary | Social insurance statistics. | 101.7 | 94 | 89 | 82 | 81 | 87 |
| Italy | Employers' returns. | 95.4 | 93 | 81 | 71 | 71 | 72 |
| Japan | Do. | 91.1 | 90 | 82 | 82 | 90 | 100 ⁵ |
| Poland | Do. | 100.3 | 87 | 74 | 63 | 63 | 68 |
| Sweden | Do. | 104.0 | 100 | 91 | 86 | 85 | 92 |
| Switzerland | Do. | 113.0 | 97 | 89 | 76 | 73 | 73 |
| United States | Do. | 104.8 | 87 | 74 | 61 | 66 | 75 |
| Yugoslavia | Social insurance statistics. | 106.9 | 104 | 101 | 89 | 86 | 90 |

¹ Figure calculated by the I.L.O. — ² Modified series. — ³ Eight months' average (Jan.-Aug.). — ⁴ Figures in this column are on 1923-1925 base for the United States, 1925-1930 base for Sweden, 1925 base for Switzerland, 1926 base for Canada, Italy and Japan, 1927 base for Hungary, 1928 base for Czechoslovakia, Poland and Yugoslavia, and 1930 base for France. — ⁵ Eleven months average (Jan.-Nov.).

respectively out of work. Five countries, Belgium, Czechoslovakia, France, the Netherlands and Poland, had on the whole a rather less favourable experience in 1934 than in the two previous years.

In the light of these figures it is evident enough that the crisis is not showing signs of passing away by the application of the ordinary methods used to meet previous depressions. On the contrary, there seems to be good ground for thinking that those Governments which have adopted "unorthodox" measures have on the whole succeeded better than those which have relied on the traditional processes of deflation. The impression gained in the last two years that the reduction of costs mainly at the expense of wages has not yielded the expected results is further confirmed by the experience of the last twelve months. A comparison made in the Report for 1934 between the records of Germany, Great Britain and the United States showed that so far from the fall in wage rates checking unemployment, the actual facts seemed to point in the opposite direction. It was claimed that the experience of these three countries lent "no support to the contention that wage reductions necessarily result in increased employment", and the further deduction was drawn that "in countries where wages and salaries represent a very large proportion of the aggregate purchasing power of a nation, the prosperity of industry is intimately bound up with the rise and fall of the incomes of wage and salary earners". Nothing in the experience of 1934 appears to invalidate these conclusions¹. In Great Britain weekly rates rose slightly to 96 per cent. of the 1929 level. Cuts were wholly or partly restored in the public services, on the railways and in some other industries. In the United States hourly earnings averaged 98 per cent. of the 1929 figure and weekly earnings 75.6 during the first nine months as against 83 and 68 in 1933. For Germany no wage figures are now available, so that no correlation between wages and employment can be made. It is noticeable, however, and probably not without significance, that in Belgium, Czechoslovakia, Italy and Poland, where wages continued to decline, little or no reduction of unemployment took place.

It may be argued with some show of reason that the reduction of costs through the reduction of wages would have been more effective in the countries that resorted to this method had they been able to export their products abroad under freer and fairer conditions. This argument may well be valid, but it misses the

¹ See Appendix II for data as to wage movements.

essential point. No one with even a superficial knowledge of economic history would assert that the deflationary theory of business recovery is groundless. But circumstances have changed and, under modern conditions, what may have been true in the past now no longer holds. In particular, it is possible to attach too much significance to the promotion of exports. A single-minded determination to force down wages in order to increase the volume of sales abroad may well prove detrimental to wider economic issues. After all, the great bulk of national production must find its outlet in the home market —in other words must be bought by the people of the country, the great majority of whom are wage and salary earners. That is to say, the amount of money in internal circulation, the velocity of its circulation and its distribution among the various sections of the community remain the decisive factors in determining the volume of purchasing power available to absorb the product of industry. Furthermore, even in respect of international trade, to concentrate solely upon measures for promoting exports is a short-sighted policy. It is of little avail to be in a position to compete successfully upon the world market if the purchasing power of the various countries remains low and if these countries are surrounding themselves with impassable trade barriers. Looking at the world as a whole, what is fundamentally necessary is not merely to encourage exports but to promote the ability and willingness to accept imports. This again is largely a question of adequate purchasing power. Only if the ability to consume is keeping pace with the ability to produce in each of the several countries will there be a readiness to accept imports and to work towards the progressive removal of the barriers to trade.

These considerations and others which cannot be developed here have concentrated increasing attention on the problem of the volume and distribution of purchasing power, to which further reference will be made in the next chapter. The object of this digression on wages was to reinforce the demonstration that the traditional methods of meeting a depression do not appear to have been the most successful. The nations that have taken expansionist measures have managed to revive production and to reduce unemployment better than those which have put their faith in the automatic operation of economic forces. Deliberate interference by the State in economic affairs has continued to increase rather than to diminish, and there seems to be some ground for thinking that its success is justifying and strengthening the popular belief that, by bold well-conceived steps planned on a sufficiently comprehensive scale,

it is within the power of Governments to influence the course of recovery to a very considerable extent. There is less and less willingness to accept the thesis that all human agencies are impotent to control the fluctuations of economic fortune, and the fact that this sentiment is becoming widespread is in itself a psychological element in the general situation which cannot be ignored. Even statesmen who are by nature and training wedded to the principles of *laissez-faire* have been constrained to make serious departures from them under the pressure of public opinion. Some of them have interfered without a plan. Others have "planned", while proclaiming "planning" both futile and unnecessary. Others again have perhaps "planned" better than they knew. In any case, whatever the degree of conscious admission, the obligation on the State to take energetic measures to control and direct the economic forces upon which national welfare depends has now been in fact accepted. This obligation has been very variously interpreted, but it is now almost universally recognised that its sanction is primarily social rather than purely economic.

CHAPTER III

THE REMEDIES FOR UNEMPLOYMENT

From the two foregoing chapters it may be seen that the depression is only lifting partially here and there through the world. There is no sign of a general swing-back of the pendulum to prosperity such as occurred in 1921-1922 without any basic disturbance of the economic system having taken place and without any serious political consequences having ensued. The present depression is of a much graver character. At the end of five years it has only been spasmodically relieved, not through the re-establishment of the old international machinery of credit and commerce, but rather through a series of more or less successful exertions of a national character, many of which by their very nature cannot continue indefinitely. We are even told by some economic and business observers that the minor "boom" which in some countries has taken place during the last two years is reaching its zenith and will shortly be followed by a further relapse.

Whether this dark forecast is well founded or not, it is certain that the persistence of the depression, with the chronic unemployment and the lowered standards of life which it involves, is driving Governments more and more to seek fresh and often untried remedies. It is also certain that the wider the departures from the old economic creed, the more unavoidable become deliberate attempts to modify and adapt the old economic structure to meet the new conditions. It has already been pointed out that most of these attempts have been inspired in the main by social considerations and in response to a growing demand for energetic and coherent action to put an end to the prevailing distresses. The object of the present chapter is to examine some of these attempted remedies a little more closely and to form some general idea of their nature and efficacy.

INSURANCE AND RELIEF

In the first place, there is the organisation of unemployment insurance and relief. In the two previous Reports details were given of the enormous sums disbursed by Governments for this purpose. It is not proposed to repeat this demonstration for 1934. It will suffice to state what is now common knowledge, that expenditure on this head has been maintained practically everywhere, and has even increased where the growth of unemployment has required it. It may be added that the economic value of such expenditure is being more widely recognised. At times when the flow of purchasing power is reduced through the absence of demand for credit and the decline of fresh investment, the sums made available by the public purse to afford a minimum of subsistence to the unemployed have the effect of maintaining their consuming capacity in a limited degree and thus of ensuring a larger and faster circulation of money than would otherwise be the case. No doubt the organisation of systems of State assistance involves some degree of interference in the play of economic forces, but experience is proving that it not only constitutes a social necessity but also provides some economic benefit.

The best evidence of the acceptance of this view is to be found in the steady expansion of the principle of unemployment insurance and relief. It is, for instance, worthy of note that Great Britain, which has the longest experience in this field, so far from restricting or abandoning its system, has taken steps to reorganise and extend it. On the one hand, a clear distinction has been made between insurance on a contributive basis and assistance provided wholly by the State for those who have exhausted their insurance benefits. Moreover, the scope of insurance has been enlarged by lowering the age of admission to correspond with the school-leaving age, and it is now proposed to enlarge it still further by including agricultural labour. On the other hand, the whole burden of assistance has been taken off the shoulders of the local authorities and has been entrusted to a national service financed by taxation. Even more remarkable perhaps is the proposal of a nation-wide scheme in the United States, where until three years ago no public organisation for providing for the unemployed had existed at all. The report of the President's Committee on Economic Security, which is now before Congress, recommends the establishment of an unemployment compensation fund fed by a percentage tax on

pay-rolls and placed under the control of the Federal Government, though its administration will be vested in the State authorities under laws passed by the State legislatures, while remaining subject to Federal supervision. From this source the unemployed worker will be entitled to draw benefit for a specified number of weeks; but if at the end of that period he is still without a job, he will be provided with work-benefit. This is the most interesting and original feature of the American plan, as it involves the planning and execution of public works by a national authority created for the purpose as part of the permanent machinery for dealing with unemployment. In Canada also the Dominion Government has introduced a Bill on the subject, while in South Africa an amended Bill has been laid before Parliament in substitution for the Bill which failed to pass last year. In Sweden a scheme of voluntary insurance has been introduced and the Finnish scheme has been entirely recast.

Closely connected with unemployment insurance and unemployment relief are the various other forms of social insurance, in particular those providing against sickness and old age. For two years past the Report has painted a somewhat gloomy picture of the regression which was almost everywhere discernible. The difficulties in which social insurance systems found themselves were occasioned by the shrinkage of their income, attributable to the reduction of the number and the wages of employed contributors, of public subsidies, and of the yield of invested funds, while on the other hand expenditure tended to increase, especially for invalidity pensions.

Fortunately a considerable turn for the better has occurred in 1934. Thus, measures have been taken to secure the financial stability of sickness insurance in Poland and Czechoslovakia, of general pension insurance in Germany and of occupational pension insurance in Uruguay, and thereby to guarantee the most essential benefits. In addition, in countries where the economic situation has improved, the insurance funds have automatically experienced a corresponding improvement in their position. In Chile, for instance, there was an increase in contribution income of 25 per cent. as compared with 1933; in Great Britain, of £1,600,000 in health and pension insurance contributions during the first ten months of the year, which represents about 20,000,000 work weeks; in Germany, of 10 per cent. in the number of persons insured against sickness, and of 23 per cent. in the contribution income of general pension insurance. Generally speaking, it may be said

that insurance funds are in a much stronger and healthier state than they were a year ago.

The structural changes which are taking place in industry, the growth of mass production and rationalisation on the one side, and the prevailing unemployment on the other, would have rendered it desirable substantially to reduce the pensionable age, which remains fixed at sixty-five under most of the general schemes of pension insurance. But if the desirability of this reduction is generally admitted, objection is always raised on the ground of increasing longevity and the charges it entails. Even so, it is possible to discern a movement in the direction of lowering the pensionable age. One of the most interesting efforts of this kind is to be found in Czechoslovakia, where, under the salaried employees' scheme, a retirement pension is granted to men of fifty-six and to women of fifty-four after one year of continuous unemployment, provided that they abstain from any lucrative occupation. As a corollary the pensions which were previously granted unconditionally to men of sixty-five and to women of sixty are now subject to the condition that they do not undertake any remunerative employment. The same tendency may be seen in Luxemburg, where persons in receipt of a sufficient old-age pension are not allowed to work without a special permit, and in Uruguay, where the pension is suspended during the period of employment.

Other measures effected in 1934 are concerned with the maintenance of the validity of the insurance contributions already paid by persons who have long been unemployed, notably in Czechoslovakia, Germany and Great Britain.

The progress of unemployment and social insurance and the general adoption of unemployment relief as a national duty are indications of the growing sentiment in favour of social security. The search for the means of guaranteeing this to every willing and competent workman or workwoman is more imperative at the present time than at any previous period. The higher the standard of life achieved, the swifter and bitterer is the fall which unemployment entails. The skilled craftsman accustomed to good and regular wages suffers keenly in his self-esteem and in the esteem of his family when his income suddenly ceases. From reasonable comfort he is quickly brought within sight of beggary. His decline is far more painful and demoralising than in the old days when the normal margin between him and destitution was narrower, and that at a time when the unremitting substitution of machinery for manual skill has already made his prospects in life less secure than they were even

a generation ago. To this source of insecurity must be added another—the rapid changes of taste and fashion, which affect large sections of industrial production, as the consumer's range of choice is broadened by the constant application of science and inventiveness to the provision of new or different articles.

All these things make the need of effective protection against the tragic consequences of unemployment more indispensable than in bygone days, but, as has been said above, insurance benefits and cash relief are not in themselves a complete or sufficient solution of the problem. Of the various efforts to provide work, some account will be given below; but a word must be added here on the most poignant and disturbing aspect of unemployment, namely, its effect on the young. Important though it is to help the adult to keep his home together and to maintain his place in society during periods of enforced idleness, it is even more important both for the individual and the nation to enable the young man to lay the foundations of his career. However hard he may be hit, the former can always hope to recover his position by hard work and good fortune, but the latter, if the springs of his ambition are dried up and if the chances of learning his profession are denied him in youth, may be completely incapacitated from ever making a decent living or becoming a useful citizen. The urgency and gravity of this question is now being realised in many countries, and it is very timely that it should figure on the agenda of this year's Conference. As full information is given in the Grey-Blue Report upon the various measures and expedients that have been adopted to cope with the problem, it is unnecessary to dilate upon them here. The principal remedy is to be found in prolonging education. The postponement of the normal age of industrial employment till fifteen or even sixteen has already been adopted in Norway, Uruguay and the Union of Soviet Socialist Republics, in most States of the United States, in some of the Canadian provinces, in some cantons of Switzerland and in a few districts in Great Britain. The justification of this measure lies not only in the relief which it affords to a congested labour market, but much more in the need to ensure greater intellectual and bodily development under the prevailing conditions of urban civilisation. Much has been done in this direction by residential training centres and by courses of instruction and physical training organised for the young unemployed in a number of countries. But it cannot be claimed that the problem has anywhere been solved. No social problem is of more vital importance, and it may safely be said that money

saved by ignoring the dangers of intellectual, physical and moral deterioration to which the youthful unemployed are exposed represents the worst and most short-sighted form of national economy.

PUBLIC WORKS

In logical sequence the next remedy for unemployment consists in the provision of public work. When adopted on a large scale as a deliberate policy to combat the effects of depression, this type of action may constitute an attempt on the part of the State to influence the course of economic events. It is a form of "planning" which has only been applied in any considerable dimensions during the present depression. The experience so far gained is insufficient to enable any final conclusions to be drawn. It certainly does not justify the claim that public works offer the sovereign and complete cure for unemployment; still less, however, does it warrant the assertion that public works have failed to furnish any aid to the solution of the problem. It is unfortunate that a sterile controversy still rages round the question, usually nurtured by the desire to prove or disprove the value of some economic doctrine or political attitude rather than by any judgment of the real facts.

The knowledge already derived from the experiments of the last few years makes it possible to draw a few elementary distinctions and to outline a few tentative principles. First of all, it is clear that public works cannot produce any substantial effect either in stimulating general economic activity or in reducing the volume of unemployment unless undertaken on a large scale. There can be little doubt, for instance, that the experiment made in the United States, where \$1,500 million were spent in fifteen months, a sum equal to nearly half the normal national budget, is different not only in size but in kind from the expenditure over fifteen years of £320,000,000, about the same proportion of the annual budget, in Great Britain on roads and other schemes of public development. In countries such as Italy, Germany, Sweden and the United States, where the experiment has been carried out on a large scale, it can hardly be disputed that appreciable results have been attained both in the stimulation of economic activity and in the provision of employment.

In this connection a second point seems to be emerging. Beneficial results only seem to accrue where public works are financed by loan rather than by taxation. To increase taxation in times of depression is liable to hinder fresh enterprise and thus in the last

resort tends only to displace men from private industry to employ them on public works. Where, however, money, for which there is no outlet in private investment, can be borrowed at cheap rates for schemes of national development, the volume and the velocity of monetary circulation is increased, and as a consequence the aggregate amount of employment tends to expand. It is on this principle that the large national loans raised in Japan, Sweden and the United States have been justified and appear to have had salutary effects on the economic position, although they involved an unbalanced budget, or more accurately perhaps, at least in the case of Sweden, a budget balanced over a period of years instead of annually. It is of course obvious that such a bold departure from the canons of orthodox finance is not feasible in all cases. It can only be done where the financial situation of a country is strong enough to allow it—that is to say, where it can be done without risk of inflation or without weakening national credit. It is equally obvious that measures of this kind can only be of a temporary character. These principles have been recognised in all of the three countries mentioned. In Sweden the budget for 1935-1936 is to be brought back to balance, the operation of borrowing for public works unproductive of revenue having already produced the desired results. Japan and the United States have not yet felt themselves to be in a position to take this step. The resulting increase in the national debt will involve some further taxation in the future, but as yet in neither case is the burden disproportionately heavy in relation to the national resources¹. As Mr. Takahashi has said, “sooner or later we shall be obliged to abandon the method of financing the budget by the issue of bonds. The question will then arise by what means we can replace it. There can be only one answer—to impose taxes where there are new sources of revenue.”² The real issue is whether through large-scale public expenditure financed by borrowing it is possible to get additional purchasing power into circulation and so help to sustain the volume of demand, provided that the public finances are sufficiently sound to admit of such an operation without endangering the stability of the currency or of national credit.

A third conclusion which would appear justified is that public works are economically effective in combating depression only when accompanied by an expansionist monetary policy. To

¹ See footnote ³, p. 18.

² “Means of Meeting the Financial and Economic Crisis”, in *Osaka Asahi*, 14 Jan. 1935.

attempt, on the one hand, to increase the total volume of buying by promoting public works while, on the other, the means of payment are being restricted rather than increased is a policy of self-contradiction. It would seem probable that much of the misunderstanding of the value of public works as a means of organising recovery is based upon a failure to recognise this vital condition.

At the same time, expenditure on public works is only one form of public expenditure. It cannot by itself be expected to provide a complete remedy for unemployment, nor is it an expedient which can be readily and easily applied. It is generally agreed that work should not be undertaken unless it is of real economic value, and a distinction is often rightly drawn between work of this kind and mere relief work initiated simply to create employment, though the repudiation of relief work is sometimes couched in terms which almost suggest that genuine schemes of public development have little or no employment value. The amount of useful development work available naturally varies with the extent to which a country is already equipped and developed, but, as the example of Germany suggests, even a highly industrialised country is still capable of considerable improvement. It is also true that there are great technical difficulties to be overcome in planning the programme and keeping it up to date, in having the details of execution constantly ready when required and in securing co-ordination between national and local authorities. The conclusion of the United States National Resources Board¹, which has made a careful study of the whole problem, is that these difficulties can only be overcome by comprehensive planning in advance by a permanent authority set up for the purpose. If this is done, they hold that the success of public works depends on the observance of three conditions: (i) that projects on a sufficient scale are prepared long enough in advance to enable contracts to be let promptly; (ii) that the operations are not begun until the liquidation of financial excesses has already made considerable headway, and (iii) that funds can be procured without checking private enterprise or overtaxing public credit. Subject to these stipulations and to the necessary systematic preparation, they hold that "public works can be made a stabilising device of value", but that "without advance planning of this resolute sort past experience indicates

¹ *Report on Planning and Public Works, by the U.S. National Resources Board*, pp. 49-53. Washington, 1934.

that public works can at best mitigate in some measure the sufferings and losses of depression".

It is still too early to pass any final judgment, but evidence seems to be accumulating to show that a new technique on these lines can be used effectively to combat depression. In the light of recent events it can no longer be dismissed as fantastic or chimerical. There is already a *prima facie* case in favour of the utilisation of public works amply justifying the attention persistently devoted to it by the International Labour Organisation. A Recommendation on the advance planning of public works was first adopted at the First Conference in 1919. Albert Thomas advocated this policy in 1931. In 1933 the Conference endorsed it and urged it upon the Economic Conference. Its importance and potential value were again emphasised in last year's Report and are now becoming generally recognised. The economic implications are not yet adequately understood, but the degree of success already achieved in some countries makes it more than ever necessary to pursue the investigation thoroughly and unremittingly.

HOURS OF WORK

Another remedy for unemployment, which was greeted with fairly general scepticism when it was first considered by the International Labour Organisation in 1932, is the reduction of hours of work. Under the continued pressure of the depression it has made considerable headway in many industrial countries during the past year. The conviction is gaining ground that shorter hours may not only offer a means of spreading work in times of depression, but may also be the logical and necessary consequence of the enhanced productive power now at the service of industry. This latter view has been adumbrated by Mr. Ramsay MacDonald¹, Mr. Bennett and many other statesmen and economists. Public opinion is beginning to realise that the time may have come for a further move towards increased leisure, the greatest boon which the machine has conferred on mankind, and a series of practical steps have already been taken in that direction.

In the first place, the forty-eight-hour week has been considerably tightened and consolidated. In France it has been extended to some branches of the transport industry and to ancillary branches of the building industry. In Brazil, Great Britain and Poland it has

¹ Broadcast, 5 Jan. 1935.

been applied to road transport by law or collective agreement. India has reduced the statutory limit of sixty hours fixed by the Washington Convention to fifty-four hours in all non-seasonal factories. Cuba and Nicaragua have ratified the Hours of Work (Industry) Convention, and Mexico and Nicaragua the Commerce Convention. Most striking of all perhaps is the action of the Canadian Government in seeking Federal legislation to apply the Washington Convention on hours to the whole Dominion in execution of its treaty-making powers. To appreciate the significance of this step it must be remembered that hitherto the regulation of hours and other conditions has been treated as lying exclusively in the provincial jurisdiction, and that in most of the provinces there was no general regulation of hours of work of men by law.

A further move of considerable significance was taken in France, where the permission to work overtime was suspended in a number of big industries, including textiles, iron and steel, engineering, tanning, skin dressing and building. Exceptions were only allowed in cases where the inspector was satisfied that emergency pressure of work could not be met in any other way, and the Government has now submitted a Bill abolishing all overtime in industrial and commercial undertakings, subject to certain limited exceptions.

Meanwhile, the spread of the forty-hour week has continued. In the United States 541 codes of fair competition were in operation by 5 January 1935, covering over 95 per cent. of all industrial employees. Some 85 per cent. of the codes provide for the main body of industrial workers a working week of forty hours or less. Mr. Richberg, in his report to President Roosevelt on the progress of recovery, estimated that the decrease in unemployment of 2,320,000 persons between June 1933 and June 1934 was mainly due to the shortening of hours under the codes. The movement in favour of the shorter working week has also developed in other ways. The Conference on Labour Legislation held in February 1934 at Washington, at which delegates appointed by the Governors of thirty-nine States were present, recommended the introduction in each State of legislation limiting hours of work to forty a week and eight a day. A first application of this principle is to be found in a compact signed by representatives of the States of Massachusetts, New Hampshire, Rhode Island, Connecticut, New York and New Jersey in December 1934 for the statutory enactment of a five-day forty-hour week for industrial workers. This compact is subject to ratification by the States concerned. In the meantime, certain sections of public opinion are moving even

further. The American Federation of Labor has declared itself in favour of a thirty-hour week, and Bills to this effect have been submitted to Congress. On its behalf it is claimed that any increased cost which might result from a reduction of hours would be offset by the increased purchasing power of the 10 million unemployed, who, it is estimated, would be absorbed into industry as the result of the reduction. Opponents of the Bills have argued that such a shortening of hours would inevitably mean reducing the production of wealth substantially below the levels obtaining in 1929, and that increase in productive efficiency does not warrant a reduction of hours to thirty per week.

In Italy a very important step was taken by an agreement signed on 11 October 1934, to be valid until 16 April 1935, between the National Fascist Confederations of Manufacturers and of Industrial Workers with a view to distributing the available opportunities for employment among a larger number of workers. This agreement was brought into operation within a few weeks by means of over fifty separate collective agreements in as many branches of industry. It established the principle of the forty-hour week. Wages were reduced proportionately to the reduction of hours, but were supplemented by allowances for workers on the shorter working week who are fathers of large families. Overtime is regarded as in principle abolished, but may be authorised in exceptional circumstances. Other general agreements were concluded for commercial establishments, banking and insurance institutions and agriculture. It is officially stated that within three months of their coming into force, the agreements led to the re-employment of some 200,000 unemployed persons. The results obtained have been considered so satisfactory that on 16 February the Fascist General Council decided that the forty-hour week should be permanent.

In other countries also steps to reduce hours by legislative or administrative action have been taken or proposed.

In Czechoslovakia in September-October 1934 over 750 factories, employing close on 70,000 workers, were working a forty-hour week, and over 1,500 factories, employing about 125,000 workers, were working less than forty hours a week. Moreover, the Minister of Social Welfare has prepared a Bill for the introduction of the forty-hour week in all industrial establishments except mines, which would be dealt with separately. According to the Minister's estimate, this would lead to the re-employment of 60,000 workers, or about 10 per cent. of the industrial workers it is proposed to

cover. The Minister stated that both employers' and workers' organisations had recognised the necessity of reducing hours of work, though there were differences of opinion regarding wages.

In Denmark the Unemployment Council reported favourably as to the effectiveness of reduction of hours as a means of combating unemployment, though no agreement was reached as to the method of putting it into operation or on the question of compensation.

In France also the movement in favour of reducing hours of work has found expression. Mr. Jacquier, Minister of Labour, speaking in the Senate in December 1934, said that since the quantity of available employment was so small, it must be divided amongst the workers in a fairer way. There was reason to ask whether the hours of work done by each should not be reduced so that there might be work for all. It had been calculated—though the value of this calculation was clearly theoretical rather than practical—that by reducing hours by only four a week, employment could be found for 500,000 more men. It was impossible, however, at the moment to reduce the legal maximum below eight hours a day and forty-eight hours a week; such a reform was not practicable nationally, but could only be carried through on an international scale. He suggested that something might be done in the meantime to limit hours to a figure well below the present maximum in the areas and in the undertakings which were already on short time, and to limit overtime as far as possible. A Bill has since been introduced by the Government on these lines providing for the possibility of limiting hours in certain circumstances in given industries and districts.

In Germany work has been spread out in some industries, and in certain branches of the textile industry it was limited to thirty-six hours a week by an Order of 19 July 1934. In Luxemburg a limit of forty hours has been set on relief works for the unemployed. In Great Britain discussions have been initiated by Mr. Oliver Stanley, the Minister of Labour, with the representative organisations of employers and workers with a view to examining the possibility of reducing hours industry by industry. A notable experiment in shorter hours was carried out in the Nottingham and Beeston Works of the Boots Pure Drug Company. By the introduction of a five-day week the hours of factory workers were reduced from forty-seven and a half to forty-two and a half per week, which after a trial period was pronounced an unqualified success. An independent expert reported that in general costs

in the aggregate were not enhanced, and that weekly wages were fully maintained. Had no reduction of hours taken place, workers would have had to be dismissed owing to reorganisation and the introduction of labour-saving devices.

This brief summary of the development of the movement for reducing hours of work in 1934 suggests two or three important conclusions.

It is noticeable, in the first place, that there is a marked tendency to attack the problem industry by industry. This was the method followed by the codes of fair competition in the United States; the Italian agreements on general principles required a large number of separate collective agreements to give effect to them in different industries or activities; in France, Orders suspending overtime apply to specified branches of industry and specified departments only; and in Great Britain the discussions concerning the shorter working week are also to proceed industry by industry.

It would be a mistake, however, to infer that the use of this method necessarily leads to any great diversity in the actual contents of the regulations. In practice, there is a considerable measure of similarity in the provisions relating to hours of work whether in the United States codes, in the Italian agreements or in the French Orders. The importance of the method lies rather in ensuring that the problems special to each industry receive full consideration, and that the regulations are drawn up with the co-operation of the organisations directly concerned.

It may be noted further that the application of the method of regulation industry by industry is not incompatible with rapid action. In the United States in virtue of the National Industrial Recovery Act over 500 codes and some 140 supplemental codes and numerous other executive orders were adopted within sixteen months. In Italy, about eighty collective agreements implementing four general agreements were put through in two months. In France, over eighty Decrees were adopted during 1934 under the authority of the Hours of Work Act, 1919.

These conclusions from national experience are worth bearing in mind at a time when the Conference is being called upon to apply the method of regulation industry by industry to the solution of the problem of the international reduction of hours of work. That it furnishes a complete and sovereign remedy for unemployment no one supposes, but that it does furnish a partial remedy seems to be shown by the results already obtained, particularly in highly mechanised industries.

ORGANISATION OF INDUSTRY

The shortening of the working week is a particular aspect of a more general problem that has sprung into prominence under the spur of the depression. The attempt being made in a whole series of countries towards the organisation of industry is one of the outstanding features of present-day economic development. The search for a "half-way house" between complete freedom and complete regimentation, between a State-planned and directed economy on the Russian model and the old system of unregulated competition is being diligently prosecuted along widely different lines. The object in each case, however, is essentially the same. What is sought is some means of reconciling the merits of private enterprise with the need for some measure of discipline and organisation. In country after country and industry after industry efforts have been made to prevent "cut-throat" competition from bringing the producers to bankruptcy and forcing down labour conditions to impossible levels. It has been felt that unless some means could be found to "put a bottom into industry", to arrest the downward spiral of deflation before prices and wages had sunk too far, catastrophe would overtake the whole economy.

Although these experiments take very dissimilar forms and vary widely in their social complexion, they have already attained a degree of development which suggests that in the future industry is likely to proceed towards closer integration rather than to return to its former state of uncontrolled and unregulated independence. A short review of some of the experiments now in operation is therefore relevant to the problem of social security.

The first type of industrial organisation requiring notice is purely capitalistic in its origin. Trusts and cartels exist in many countries and many industries, some of them being international in their scope. They are formed with the object of maintaining business activity in a state of stable equilibrium by controlling prices, regulating output, apportioning markets and by other similar devices. The depression has given a fresh stimulus to this type of industrial organisation, but it has also drawn a good deal of attention to its dangers to the worker and to the consumer. Its advantages in regularising employment and eliminating suicidal competition have been offset by the fear of monopoly or of the wholesale displacement of workers through large-scale mergers and other forms of rationalisation. Hence, the State has

been tempted to encourage them on the one hand, but to control them on the other.

This double tendency may be illustrated by a large number of examples, of which a few may be selected as more or less typical. Perhaps the most striking instance is that of Japan. In 1931 the Control of Principal Industries Act was passed with the dual object of promoting the formation of cartels in the staple industries and of establishing State control of industry through the cartels. Under the Act a Control Board is set up under the chairmanship of the Minister of Commerce, which may require the compulsory registration of cartels and may also at the request of two-thirds of its members make the rules of a cartel binding for the whole industry. The Government can, however, always refuse to sanction the formation of a cartel, if it judges it contrary to the public interest. So far twenty-four industries have been brought under the Act, including all the principal industries of the country. Its operation has shown the difficulty both of maintaining cartels in the face of rising prices and of checking monopolistic tendencies; but it is generally thought that the Act will be renewed in a revised form when it expires next year¹.

A rather different system was introduced in Czechoslovakia by an Act of July 1933 designed to encourage cartels as agents for planned development but also to submit them to State supervision. Already 678 cartel agreements have been registered, but the prices fixed by them are subject to objection from interested parties and may be disallowed by the Minister. An interesting feature of the Czechoslovak system is that it contains provisions for the protection of the workers. Under a further Act industrial establishments may not proceed to the wholesale dismissal of workers or the wholesale suspension of production without the sanction of the Government. Moreover, in certain industries, notably sugar, distilleries and glass-manufacture, no new factory may be opened without official permission, and it seems likely that a general reorganisation of the coal mines, if not of other industries also, will shortly be carried out under Government supervision.

In France similar measures are contemplated. The Government Bill now before Parliament is based on the premise that the price-mechanism no longer fulfils its function of restoring economic balance. The disturbances resulting from the war, from the

¹ See *The Oriental Economist*, July 1934.

confusion of foreign exchanges, from State intervention, and above all from exaggerated economic nationalism, have so upset the working of the price system that other methods must be temporarily adopted to restore the situation. The Government is accordingly seeking powers to make trade agreements binding and to introduce organisation in the case of industries which are incapable of producing a reasonable degree of order and stability by their own efforts. The general aim in view is to secure the readjustment between production and consumption by requiring a certain measure of " collective discipline in the national economy ".

In Great Britain too a gradual advance is taking place along the same lines. Further progress has been made in the organisation of the steel and coal industries, in the former by creating a new executive committee under an " independent " chairman to promote efficiency and expand exports, in the latter by voluntary amalgamations or by compulsory schemes drafted by the Mines Reorganisation Commission where voluntary action is not forthcoming. In the cotton spinning industry the Government has promised support to a scheme for a general levy in order to eliminate 10 million redundant spindles. It has also passed an Act taking powers to make collective agreements as to wages and conditions binding on the whole manufacturing section of the industry, where circumstances render it necessary.

The two most extensive experiments, however, outside the Union of Soviet Socialist Republics are those now under way in the United States and Italy. The National Industrial Recovery Act expires this summer, and the present Congress will decide upon the revision, extension or suppression of the code system. In view of the considerable degree of organisation attained in some industries and the more or less general satisfaction with some features of the codes, the last named course appears improbable. The labour provisions, which though not identical for all industries are generally similar in character, might no doubt be replaced by Federal legislation, if that be constitutionally possible, but an Act would not possess the same flexibility as the code arrangements, unless supplemented by collective agreements. There has, however, been a good deal of criticism of the enforcement machinery provided by the codes both from labour and employers. The trade unions have on this and other more general grounds demanded representation on the authorities which administer the codes, but this claim has only been admitted in very few cases. If it were generally granted, it would modify the code system considerably and introduce a

large element of joint control in industry. The other question likely to cause most discussion is whether the compulsory powers should be retained for the regulation of prices, production and trade-practices. In this field a great deal of experimentation has taken place. Much criticism of some of the devices adopted has been generated. The interest of the consumer as well as the interest of the small producer and of the workman has frequently been invoked against some of the measures taken under the codes. It should be remembered, however, that the codes were initiated on an avowedly experimental basis, embodying, as Mr. Donald R. Richberg, the General Administrator, said, "different economic theories and inconsistent business policies"¹. They were meant to be "a trial of self-government" but of self-government subordinated to the national interest. The declared intention of the Act was "to provide for the general welfare by promoting the organisation of industry for the purpose of co-operative action among trade groups, to induce and maintain united action of labour and management under adequate governmental sanctions and supervision". The judgment passed upon the success of this great experiment will not only determine the future course of American industry but will no doubt have considerable influence upon opinion outside the United States.

In Italy the past year has seen a considerable development of the corporative system. By an Act of February 1934 the main branches of production were organised in twenty-two corporations, each with a council and all co-ordinated by the National Council of Corporations presided over by the Head of the Government. The corporations are not just corporative bodies formed to control a particular branch of production in the interests of those concerned, but are organs of the State, whose first duty is to the community. Their functions are wide and varied. While they do not themselves direct or control production, they may be called upon by the Government or by one of the constituent associations with the latter's consent to draw up rules for the collective regulation of economic relations and for the uniform regulation of production. They may also fix rates, charges for economic services and prices of articles of consumption offered to the public under special conditions. Such determinations, however, require the approval of the National Council and the Government. In labour matters the

¹ Quoted from INTERNATIONAL LABOUR OFFICE: *Social and Economic Reconstruction in the United States*, p. 98. Geneva, 1935.

corporations act as a conciliation authority in collective disputes¹. The general effect of the system is to institute the control and regulation of all phases of economic activity under the close supervision of the Government. Mr. Mussolini defined its objective as "greater social justice for all the Italian people. . . . It means the guarantee of work, fair wages and a decent way of life. It means the possibility of continual improvement, the worker's continual progress towards intimate knowledge of production and towards his share in the necessary regulation of it."² Founded with these aims and principles, the corporations constitute one of the most important essays in planned economy, and their actual working in practice deserves to be followed with the closest attention.

In some other countries also, such as Austria and Portugal, experiments are being made in the direction of reorganising industry on a corporative basis, but it is too early to draw any conclusions, as they are still in their initial stages.

In strong contrast to these various attempts on the part of the State to secure some measure of organisation in privately managed industry is the system of State management of industry in operation in the Union of Soviet Socialist Republics. This is not the place to enter into the details of that system, but one broad difference between the circumstances in which the two kinds of experiments are being carried out requires to be drawn. In most of the countries examined above the problem to be solved is one of equilibrium between the supply of and the demand for the wide variety of goods being produced and consumed. In the Soviet Union it is a question rather of equipping the country industrially, with the problem of equilibrium as yet of relatively little importance. Planning in the one case aims at economic balance, with monopoly exploitation the principal danger; in the other, it aims at obtaining maximum performance while imposing considerable restriction upon the consumer's freedom of choice.

The foregoing examples are sufficient to show that the notion of industrial planning or integration is undoubtedly gaining ground. The fact that most highly industrialised countries are experimenting with it suggests that it responds to a real need created by modern conditions in industry. It is idle to ignore this tendency as unimportant, but it is unwise to assume that private enterprise is on the point of giving way to universal regimentation. The stage

¹ For fuller details see A. ANSELMI: "Trade Associations and Corporations in Italy after the Recent Reforms", in *International Labour Review*, Jan. 1935.

² Speech at Milan, 6 Oct. 1934.

at present reached is highly empirical. The real problems involved are gradually coming to light. Their solution is not likely to be found but by a long process of trial and error. Attention may, however, be drawn to one or two salient features. The first is the inevitability of some measure of State interference. In any competitive system it is rare that there should be sufficient unity among producers to ensure the observance of a common rule by voluntary agreement. Whether it is a question of regulating prices, of fixing wages and hours, of restricting production, of banning unfair practices or of eliminating inefficient units, a recalcitrant minority is almost always to be found that refuses to accept the dictates of the majority and to conform to their view of the general interest of the industry. It is for this reason that the intervention of Government is usually required sooner or later to secure the necessary degree of discipline and cohesion. Conversely, it has not infrequently happened that, where a voluntary association has really become sufficiently powerful to control a branch of production, it is tempted to exploit its monopoly to the detriment of the public, for whose protection the State is eventually obliged to step in.

These two motives for State interference may be seen clearly enough in the examples cited above. Whatever the ground of its intrusion, however, once the State is called upon to use the power it derives from the community to regulate industrial enterprise, it cannot ignore any of the interests which are under its charge. A Government cannot, for instance, seek to promote the efficiency and the profits of a particular branch of production without paying any regard either to the price demanded of the consumer or to the conditions of employment of the workers. "The intervention of the State cannot now be procured except upon a basis of general equality."¹ Hence, the importation of State control into industry in whatever form almost necessarily involves the importation of social aims and considerations. The State is bound to base and to justify its action on grounds of public welfare rather than on the particularist interests of a single group.

Though any action of the State is political, it does not follow, however, that the establishment of State control over industry implies the abolition of all private initiative. The actual degree of interference with individual liberty is capable of an infinite amount of graduation. As the United States National Planning Board very

¹ DAVID MITRANY: "The Political Consequences of Economic Planning", in *The Sociological Review*, Oct. 1934.

justly puts it: "The choice is not between anarchy on the one hand and complete control over all aspects of private behaviour on the other. A totally unplanned nation is as impossible and undesirable as a totally planned economy."¹ Governments have always imposed restrictions on the interplay of economic forces through social legislation, through tariffs and other commercial regulations, through limitations on speculation and through monetary action. Every country has always had an industrial, an agricultural and a financial policy, however vaguely understood and ill-defined, which its Government has more or less consciously and systematically sought to further. The need for clearer definition and more vigorous action is more keenly felt now than in the past because the old system has proved incapable of meeting modern requirements.

Nor does the form of government render planning possible or impossible. Its execution must always finally depend on the degree of willing co-operation which is forthcoming from those whose lives and business are affected. In the long run a policy which does not command more or less general assent cannot be imposed by force. In all highly educated communities the ultimate appeal is to reason and the logic of events rather than to any arbitrary power. For this reason the success of planning in dictatorial States is likely to be proportionate to the measure of popular endorsement which it receives. For the same reason the public sanction to which all national endeavour is subjected in democratic States is likely to form the most solid basis for the type and the degree of industrial organisation which each of them requires. To plan in the abstract the whole economic life of a complex modern community is an impossible task, a fact which is sometimes taken quite wrongly to prove that all economic planning is chimerical. In the last resort, planning means the application of intelligence and forethought to utilise economic resources and possibilities so as to secure the maximum amount of health, comfort and well-being for the people as a whole. It does not imply the erection of a rigid system, but constant adaptation to changing conditions. It can only proceed by experiment. There are no iron moulds into which the variegated stream of economic life can be poured and congealed. What is now happening is an attempt to discard outworn forms and to devise new ones better suited to the present stage of industrial development. Such an attempt so far from being fantastic is simply the common-sense recognition of the law of change. Technical progress, inter-

¹ NATIONAL PLANNING BOARD: *Final Report*, 1933-34, pp. 31-32.

national relationships, social conceptions, have all been extensively modified since the industrial era first began. The growing demand for "planning" springs from the irresistible necessity of adapting economic organisation to the technical, political and psychological circumstances of the twentieth century.

FINANCIAL POLICY

But industrial organisation, however perfect, does not in itself supply the omnipotent remedy for unemployment any more than the regulation of hours or public works. Each may be an important element in a comprehensive programme, but they are all to some extent dependent on the solution of more fundamental questions of financial policy. The effective working of the economic system, upon which the volume of employment ultimately depends, requires the maintenance of balance between production and consumption. Where the two processes fall out of step, it is no doubt possible to reduce production to correspond to a lower level of consumption. This method would seem to imply, however, that the measures which have sometimes been applied for restricting output and retarding technical progress are economically sound, an admission which few economists are prepared to make and which is repugnant to common sense. The only other alternative is to find means of increasing consumption and raising purchasing power. Owing to the glaring paradox of distress in the face of superabundant production, thought is now turning in this direction. The basic question is being raised whether a broader and more even distribution of national income is not one of the conditions of a more stable and capacious market both for industry and agriculture. It is being asked in the United States whether from the standpoint of economic balance it is important or quite irrelevant that in 1929 36,000 American families at the top of the scale received practically as much as 11,653,000 families at the bottom¹. Is there an optimum proportion of wages to the national revenue from an economic standpoint? Has the theory that savings are automatically turned back into a fresh cycle of production, employment and consumption really worked out in practice? Is not the real flaw in the economic system to be found in the failure to distribute income in the manner best calculated to maintain industrial activity most effectively?

¹ See BROOKINGS INSTITUTION: *America's Capacity to Consume* (1934), Chapter V.

Queries of this kind strike at the root of our present troubles, but as yet no very certain or complete answer is forthcoming to them.

The question of the national distribution of income is closely connected with the controversy between the expansionists and the deflationists, between those who believe that it is the business of government and of the banking system to use every legitimate means to increase the volume of credit and to accelerate the velocity of circulation and those who believe that salvation lies in reducing wages, costs and prices until a new balance is struck. From the review in Chapter II of the results so far achieved, it would seem that the expansionist experiences have so far given better results than the deflationist, and it may be noticed that in some countries such as Australia, Germany and Italy, better results were apparently obtained when deflationary were gradually supplanted by expansionist measures. In any case, it is difficult to doubt that the steps taken in Sweden, the United States and other countries to develop purchasing power through the expenditure of public money have given an impetus to industry at a moment when confidence was at its lowest. The same result was achieved in Great Britain, if in a lesser degree, by expenditure on the unemployed and the cheapening of money, and it has been suggested that the level of internal buying power has been better maintained there than in the United States through the general maintenance of wage-rates. Without attempting to form any judgment on the precise effects of the various monetary policies adopted during the depression, it may be said that the present crisis has made it more clear than ever before that the distribution and circulation of purchasing power is the most vital factor in determining the volume of business and employment. A great deal of deliberate planning and manipulation has been done, indeed has always been done, in this field. But here as in other departments of economic activity, the demand is growing that the control and direction should be exercised in the interest of the community as a whole instead of being largely guided by motives of private profit which may be only partially reconcilable with the general welfare.

INTERNATIONAL ORGANISATION

Lastly, there is the international aspect of "planning" to which scant attention is at present being paid. Since the breakdown of the London Economic Conference in 1933 little concerted effort has been made to grapple with the chaos into which international

commerce and exchange have fallen. Nobody really believes that there can be a return to anything like general prosperity until there is a considerable revival of international trade. Nobody really doubts that such a revival is impossible until exchanges have been brought back to some stable and intelligible relationship. Neither credit nor confidence can be rebuilt upon the shifting sands of fluctuating currencies. It is true that fluctuations have become less violent during the past year, but stabilisation, though apparently more feasible, is still not in sight.

It must be admitted, however, that even if the exchanges were once more restored to fixed relationships the obstacles in the way of reviving international trade would still be formidable. The defensive measures to which almost every country has resorted have created a new state of affairs. In order to protect either their rural population or their trade balance industrial countries like Great Britain, France, Italy and Germany, which previously imported large quantities of foodstuffs, have organised their agriculture, and in order to maintain the prices offered to the farmer have raised barriers to reduce their imports from abroad. In most cases, notably in France and Germany, this has brought the price of many foodstuffs considerably above the world levels¹. Such measures may be defensible on the ground that they have saved agriculture from ruin and have reduced the difference between the prices of agricultural and industrial products. On the other hand, in doing so they have also helped to destroy the foreign market for industry. In the past the great agricultural countries of the world exchanged a large part of their agricultural surplus against the manufactures of the great industrial countries. As the latter have cut down their purchases of foreign foodstuffs, so have the agricultural countries of necessity begun to manufacture themselves to meet their domestic needs. Conversely the development of manufacture in the agricultural countries by restricting the market of the industrial countries has strengthened the inducement of the latter to protect their agriculture. As a result the spread of industry all over the world, to which the war gave the first great stimulus, has been promoted on an even greater scale. Its inevitable consequence is to increase still further the industrial overproduction which already existed. As a natural sequel the industrial countries themselves have turned inwards to find markets and have in their turn been actively

¹ See Appendix III.

erecting barriers to protect them. Wherever protective measures are taken some immediate benefit is likely to be derived by the home producers, who are enabled to oust their foreign competitors. Thus an immediate rise in production and employment in some branches of industry is almost certain to follow, as may be seen in Great Britain and Germany during the past three years. Whether this type of planning promises any ultimate gain is another and more difficult question. On the one hand, the more an industry is dependent on its own market, of which the needs can easily be foreseen and which is ostensibly liable to no outside interference, the more regular is employment in that industry likely to be. From this standpoint there may be some national advantage in increasing the proportion of industry which caters for domestic requirements and in reducing the proportion dependent on export trade. Yet even so, any considerable advance in self-sufficiency is likely to be purchased at some sacrifice in the standard of living. For self-sufficiency to be complete and profitable two conditions must be fulfilled. In the first place, the country concerned must contain all the foodstuffs and all the raw materials that it needs. Unless this condition can be secured, there must be a breach in its surrounding walls through which foreign necessities must be imported at world prices and must be bought by exports produced under competitive conditions. This means that the whole national economy is to some extent subject to international factors. A second condition for the success of autarky is the ability of a country to consume all that it produces whether by agriculture or by industry. Wherever a surplus exists over and above national requirements, failure to sell it abroad means distress, unemployment and perhaps the permanent crippling of a staple industry. Clearly, therefore, only large, populous and well-balanced countries endowed with abundant natural resources can hope to achieve self-sufficiency with any real prospect of satisfaction. The smaller a country and the more exiguous and specialised its resources, the less can it dispense with imports or with the exports with which to pay for them. Conversely, where a country is endowed with a superabundance of any particular commodity, such as the Argentine with wheat, Brazil with coffee, Denmark with agricultural produce, Great Britain with coal, the United States with cotton and oil, the Union of Soviet Socialist Republics with timber, it must either cut down those industries to the level of home requirements or make markets for them abroad, either by buying from or lending to foreign countries.

In point of fact, there are perhaps only two national units of sufficient size and natural wealth to be able to contemplate a thorough policy of autarky with any equanimity—the United States and the Soviet Union. Yet even they could not adopt it without profoundly disturbing their present distribution of economic activity. Mr. Henry A. Wallace, the United States Secretary for Agriculture, has repeatedly demonstrated the impossibility of the United States maintaining its present output of wheat, cotton and tobacco, to which might be added petroleum, unless its export markets are maintained, which can only be done through the corresponding maintenance of American purchases and loans abroad¹. Russia could not have procured her industrial equipment without exporting oil and timber to pay for it, and even if it reaches a stage when it is no longer dependent on any foreign supplies, the country would still remain the poorer so long as it failed to exchange its surpluses abroad for the products of other countries.

It may be concluded that autarky is not a feasible policy at all for the great majority of countries and is only feasible for the richest and most populous at a considerable sacrifice. By analogous reasoning it is easy to show that the restriction of international production can at best only achieve a very relative and temporary success. The experiments initiated at the London Conference for limiting the production of wheat, wood, copper, coal, oil and other commodities have not produced very striking results. The difficulties in the way of securing lasting agreement between international competitors are almost insurmountable. In many instances the gap between production and consumption has increased rather than diminished. With one or two exceptions, stocks of primary commodities have remained high or even increased in spite of the efforts to liquidate them by concerted measures². So far there is little evidence to be derived from experience that this kind of international planning promises any permanent solution. It rather suggests that the true problem to be tackled by international action is not how to restrict production but how to increase consumption. The task has certainly been rendered more difficult by much of the national planning already carried into effect and by the interests which have been firmly entrenched beneath its

¹ See HENRY A. WALLACE: *New Frontiers*. New York, 1934.

² For a useful summary of these experiments see F. MAURETTE: "La politique concertée des matières premières", in *Revue d'Economie Politique*, Oct. 1934.

shelter. But it is quite illusory to suppose that all these schemes of national economy can be swept away by any magic formula of international agreement. Nor is much impression likely to be made on the present stagnation of international trade by bilateral arrangements, helpful though they may be in some cases as a first attempt to loosen the bonds by which commercial intercourse is now trammelled. More progress is perhaps to be hoped for from areas of freer trade formed by countries with similar economic and political interests. But whatever the method, it has to resolve the antinomy between the need of all nations for foreign trade if their material civilisation is to be maintained and developed and the actual existence of national systems of economy aiming at regulating and controlling the internal level of production and consumption in the interest of steady employment and stable prices both for agriculture and industry. This is perhaps the most far-reaching problem created by the growth of national planning. It cannot be set aside by lamenting its existence. It remains a fact with which the world has to reckon in seeking to put its house once more in order. The social progress of the next twenty years will largely be determined by the success or the failure of the efforts to solve it, which again will depend on the willingness of nations to return to a more co-operative outlook and to plan their economic future on the basis not only of the short view of to-day but also of the longer view of to-morrow.

CHAPTER IV

THE INTERNATIONAL LABOUR ORGANISATION IN 1934

The whole trend of events as described in the previous chapters goes to show that, so far from declining under the weight of the depression, interest in social questions has become more acute. The extent, duration and severity of the crisis have directed thought towards some of the fundamental conditions of our industrial civilisation. They have produced a keener social consciousness, which has been reflected in the history of the Organisation. The important additions to its membership and the changes in the composition of the Governing Body, which have taken place during the past year, will give it an outstanding place in our annals.

In last year's Report the presence for the first time of a delegation of American observers at the Conference of 1933 was recorded. The hope was then expressed that this might foreshadow closer contact between the United States and the Organisation. Happily, this hope has been realised with a completeness and a rapidity which could hardly have been anticipated. On 22 June 1934 the Conference then in session was officially informed of the adoption of a joint Resolution by both Houses of Congress authorising the President to acquire membership of the Organisation on the condition that no assumption of obligations under the Covenant was implied. This notification was accompanied by an intimation that the President would welcome an invitation to the United States, and on the same day a Resolution was unanimously adopted by the Conference extending such an invitation. On 20 August the President informed the Director of his acceptance, and the United States became a full Member of the Organisation.

It is hardly necessary to stress here the importance of this event. The rôle which the United States plays in the economic and industrial life of the world, the astonishing rapidity with which it has developed its natural resources and the social standards of its people, and the bold and comprehensive measures of recon-

struction which are now being carried through under the inspiration of President Roosevelt, necessarily make American co-operation of exceptional value to the structure and future of the Organisation. During his visit to the United States in the autumn, the Director had opportunities of judging the wholehearted spirit in which the Government, industry and labour were preparing to make that co-operation effective.

Scarcely a month later, three other States became Members of the Organisation through entering the League of Nations, namely, Afghanistan, Ecuador and the Union of Soviet Socialist Republics. In the case of the Soviet Union the Government has not yet decided how far it intends to give active collaboration, but it appointed a representative to attend the January meeting of the Governing Body in the capacity of an observer, and thus took a first official step towards getting into touch with its work. Here again, it is hardly necessary to emphasise the importance of Russian co-operation, either from the point of view of the size of its territory and population, the remarkable expansion of its industry in recent years or of the importance of the social experiments which have been carried out under the existing régime.

It is gratifying to note that there are no signs of any diminution of interest on the side of Japan. Questions arising out of the considerable extension of Japanese commerce occupied an important place in the discussions at last year's Conference. Mr. Maurette's visit to Japan and the valuable report which he made upon it also attracted considerable attention. There is every reason to hope that the association of so important an industrial country with the Organisation will be actively continued.

On the other hand, no change has taken place in the abstentionist attitude of Germany. The German Government has preserved no contact with the Organisation and has ceased to furnish statistical or other information to the Office except in fulfilment of the obligations assumed under the Conventions which it has ratified. For this reason the treatment of social and economic developments in Germany during the past year is less full and possibly less accurate than would otherwise have been the case. It only remains to repeat the hope expressed in last year's Report that Germany will resume her place before her notice of withdrawal from the League becomes finally operative.

The general upshot of the expansion of its membership has been further to accentuate the universal character of the Organisation. Its scope is now practically worldwide for the first time, from which

it follows that its centre of gravity is likely to be less European than in the past. This tendency had already been making itself felt since the earliest years of the Organisation. As has been repeatedly pointed out, the war had the effect of spreading industry far more widely over the globe than in the nineteenth century, when industrial production was largely concentrated in a few Western European countries, and latterly in the United States. During recent years, and particularly since the onset of the crisis, this geographical extension of industrial activity has proceeded still further.

This transformation of the industrial map was very opportunely reflected in the enlargement of the Governing Body. After a delay of twelve years the amendment to Article 7 of the Constitution (Article 393 of the Treaty of Versailles) was finally brought into operation in time for the elections at last year's Conference. As a result there were seven extra-European countries among the sixteen Governments represented, while corresponding increases in extra-European representation took place in both the Employers' and Workers' groups. It is hardly too much to say that the new Governing Body, which assembled for the first time^Y under the presidency of Mr. de Michelis in September, marked a new chapter in the history of the Organisation.

A further change of decisive importance took effect at the January meeting of the Governing Body. It was patent beyond all possible dispute that the United States of America and the Union of Soviet Socialist Republics were among the eight States of chief industrial importance and as such were entitled to Government seats. Although it was clearly both inconvenient and regrettable that the composition of the list of eight States should be altered a few months after the elected portion of the Governing Body has been reconstituted, the latter nevertheless took the view that its duty lay in undertaking the revision of the list and in rendering it effective without delay. After considering a report from its officers dealing with the legal and statistical aspects of the question, the Governing Body decided on this course by 24 votes to 1 and declared the following to comprise the new list of States of chief industrial importance in alphabetical order: France, Germany, Great Britain, India, Italy, Japan, the Union of Soviet Socialist Republics and the United States of America.

At the same time great regret was felt that this decision unavoidably involved the displacement of Belgium and Canada, both of which countries had played an active part in the work of the

Governing Body since 1919. Particular sympathy was felt for Mr. Mahaim, who has devoted a large part of his life's work to promoting the cause of international labour legislation and whose services to the Organisation could hardly be exaggerated. This sympathy was enhanced by the fine abnegation with which he accepted the Governing Body's decision on behalf of his country and himself as being unquestionably dictated by the best interests of the Organisation. As a signal mark of their appreciation of their past collaboration, the Governing Body unanimously decided to create a special position for Belgium and Canada by co-opting them as deputy members and thus associating them with its work until the next elections in 1937. At the same meeting, the Workers' group allotted a seat to Mr. William Green, President of the American Federation of Labour, and the Employers' group made arrangements for giving a place to a representative of the American employers.

As a result of this double reconstitution, the character as well as the composition of the Governing Body has been considerably modified. For the first time it includes all the great industrial countries and affords adequate representation to the three industrialised continents. It is sometimes not realised by those who have not had opportunities of seeing it what industrial progress has been made outside Europe and on what a gigantic scale social problems have to be envisaged in the great countries of America and Asia. The work of the Governing Body and of the Office will certainly derive additional strength from a better understanding of the ideas and conditions which there prevail.

In order to enlarge its contacts the Office has continued its policy of sending technical missions overseas. Reference has already been made to Mr. Maurette's journey to China and Japan. At the request of the Government of Cuba, Mr. Déchamp and Mr. Poblete Troncoso visited that country in order to give advice on the organisation of the friendly societies and of the Department of Labour. Later in the year, Mr. Tixier visited Brazil, Uruguay, Argentina and Chile, where he was able to study the social insurance systems and to make some suggestions for meeting the difficulties which they have encountered since the crisis. In the autumn the Director visited the United States and was particularly happy to be the guest of the American Federation of Labour at their Annual Convention in San Francisco. He subsequently went to Mexico, where he was much impressed not only by the cordiality of his

reception by the Mexican authorities, but also by the advanced social legislation which has recently been introduced.

From this series of missions two lessons stand out clearly. First, that the extent of labour legislation in Latin America has been considerably underestimated and that the large number of ratifications recently received is a true indication of the progress which is in the way of accomplishment. Secondly, that direct contact particularly with the technical services of overseas countries is indispensable if the Office is to be properly equipped for carrying out its duties to them and to the Organisation generally. There are two further methods by which these objects can be furthered. Hitherto, largely for financial reasons, experts from extra-European countries have been called too infrequently to attend meetings of technical committees in Geneva. The exchange of ideas and experiences between those engaged in research and administration in different parts of the world furnishes one of the most valuable means of promoting social advancement. It is hoped that for the future better provision will be made for enabling such meetings to be more representative. A second method, hardly less important, consists in convening meetings from time to time in overseas countries to consider particular problems of which they have special experience or in which they have a particular interest. A good instance of the first type of meeting was furnished by the Conference on silicosis held at Johannesburg in 1930, a precedent which might well be repeated as occasion offers. Efforts have been made to promote a meeting of the second type confined to the Asiatic countries, but hitherto the difficulties in the way have proved insurmountable. There is no doubt that there are some questions which have a regional rather than a universal significance, nor does there seem to be any constitutional objection to special meetings of the countries most interested being convened from time to time to consider them under the auspices of the Organisation.

The emphasis laid on the necessity of more intensive relations with extra-European countries does not imply that any relaxation of effort is desirable in regard to Europe. There, too, social problems are crying for solution, which are not less urgent or difficult because the territories and populations involved are smaller. In fact, one of the most perplexing features of the present situation is the increasing density of population in countries which cannot hope to cope with the increase by further development of their natural resources. The population problem, which may

perhaps be found in its acutest form in Japan, is being reproduced in various parts of Europe. The two traditional solutions are the promotion of export trade or the resumption of emigration; but the first path is sown with all kinds of obstacles, while the latter is almost completely barred. If neither of these solutions is practicable, some countries are faced with the harassing problem of a growing pressure on their resources which, if the present rate of increase of the population is maintained, may ultimately lead to the debasement of their living standards.

Although it cannot be claimed that any great improvement has taken place in the economic situation as a whole, it is satisfactory to be able to record a further advance in the number of ratifications. Last year it was anticipated that the record for 1933 and 1934 could hardly be kept up. Nevertheless, as will be seen from the following table the last twelve months have continued to mark progress well above the average.

| | 15 March 1934 | 15 March 1935 |
|------------------------------------|---------------|---------------|
| Ratifications registered | 579 | 639 |
| ," authorised | 38 | 33 |
| ," recommended | 122 | 105 |

The totals for the last ten years are as follows:

| | | | |
|----------------|----|----------------|----|
| 1926 | 48 | 1931 | 38 |
| 1927 | 35 | 1932 | 28 |
| 1928 | 34 | 1933 | 50 |
| 1929 | 79 | 1934 | 77 |
| 1930 | 44 | 1935 | 60 |

Out of the total of 60 ratifications registered during the year no less than 44 came from Latin America, and of these no less than 30 from the State of Nicaragua. In addition, it is important to record that Brazil with 4 and Mexico with 9 ratifications are included in the table for the first time. It should be added that a striking departure has been taken by the Canadian Government on the initiative of the Prime Minister in laying before the Federal Parliament resolutions in favour of the ratification of five Conventions—Hours of Work (Industry), Weekly Rest (Industry), Seamen's Articles of Agreement, Marking of Weight (Packages Transported by Vessels) and Protection against Accidents (Dockers) (Revised). Three of these Conventions are stated to be already covered by legislation, and Bills have been introduced to give effect to the Hours of Work and Weekly Rest (Industry) Conventions. The resolutions gave rise to an important debate on the constitutional issue, concluding by the adoption of the resolutions by both Houses

of Parliament. Hitherto, the view has prevailed in Canada that the Federal authorities could or should not legislate in labour matters which fell within the provincial jurisdiction. The change of procedure inaugurated by Mr. Bennett and accepted by Parliament opens up the prospect of further Canadian ratifications for the future, having regard to the high social standards prevailing generally in the Dominion.

As might be expected, owing to the large number of previous ratifications, Europe occupies a comparatively modest place. Nevertheless, one or two important ratifications may be noted. The adoption of the Forced Labour Convention by Italy, following that of Great Britain, Japan, the Netherlands and Spain, means that this Convention has now gone far towards fulfilling its purpose. There are some ninety colonial or mandated territories in the world to which the Convention is applicable, and of these about sixty are now subject to its provisions. It is perhaps not too much to hope that the other colonial countries will shortly take the necessary measures to complete the systematic elimination of forced labour in the world. Again, the ratification of the Protection against Accidents (Dockers) Convention (Revised) by Great Britain opens the way to progress along this line, as other countries were awaiting the action of the British Government, which initiated the revision of this Convention, before taking steps themselves.

The ratification by Switzerland of the Weekly Rest (Industry) Convention, 1921, is the successful culmination of long and persevering efforts made by the Government to overcome the legal and practical difficulties which had previously stood in the way. Finally, it may be noted that the Marking of Weight (Packages Transported by Vessels) Convention, 1929, has now received twenty-nine ratifications and its general application in all parts of the world seems to be in sight. Of the chief European countries, the ratification of Great Britain is alone wanting. It may also be noted that the provisions of the Convention have for some years been applied in the Soviet Union.

Looking back at the Conventions as a whole, it may be said that the general outlook is encouraging. Thirty States Members have now ratified 10 or more Conventions, 23 have ratified 15 or more Conventions and 10 have ratified more than 20 Conventions. Taking the 32 Conventions adopted up to 1932, the 27 European States Members of the Organisation have now ratified over 51 per cent. of the maximum possible number, and it is satisfactory to observe that 31 per cent. of the total ratifications now come from

extra-European States, whereas five years ago the percentage was 14. There are, however, still one or two grounds for disappointment. Although it cannot be contended that the situation in the European coal fields has substantially improved, no progress has been made towards ratifying the Hours of Work (Coal Mines) Convention. A further effort to secure simultaneous ratification was made in June of last year when a technical Conference of six of the seven States primarily interested met to consider the situation. As a result the revision of the Convention in certain respects is on the agenda for this year's Conference and it may be hoped that it will lead to some progress being made. Similarly, it may be hoped that steps will soon be taken in some of the more advanced countries to put into operation the six Conventions adopted in 1933 relating to old-age, invalidity and survivors' insurance, particularly in those States where little or no modification of existing legislation is required.

This last is a field of action which promises to become of ever greater importance. It would be easy to quote a long list of cases in which substantial amendments have been made to improve national systems of social insurance, of which a full account will be found in the *Year-Book*. They are sufficiently numerous and important to warrant the conclusion that the doubts and hesitations as to the value of social insurance which seemed to be gaining ground have now been dissipated. The principle of collective protection against the main social risks is more firmly entrenched than ever. In fact, one of the principal effects of the crisis has been to open the eyes of public opinion to the extremely precarious state in which a large proportion of every industrial population has hitherto existed. A more and more insistent demand has in consequence arisen that the community should ensure a minimum of protection against ill-health, old age and unemployment, a demand which has now been crystallised in the phrase "social security". It is now being realised, as the promoters of social insurance had always maintained, that there is no effective means of meeting the situation except by the collective action of the whole community. Programmes of recovery and economic reconstruction are therefore indissolubly linked nowadays with the creation of a system of social security ensuring a more equitable distribution of purchasing power and protecting the workers and their families from hazards against which they are otherwise defenceless. The most notable example of far-reaching reform inspired by these ideas is to be found in the proposals laid before Congress by President Roosevelt

in January 1935, to which reference has already been made. In addition to providing for unemployment compensation, old-age assistance, and compulsory old-age insurance, it foreshadows the introduction of health insurance. As the Committee on Social Security points out, "illness is one of the major causes of economic insecurity which threatens people of small means in good times and bad". Pending the elaboration of a final plan, the Committee sketches the outlines of a system of compulsory sickness insurance as an indispensable part of the general scheme of social security.

In other countries proposals are now on foot for initiating or extending compulsory insurance, among which may be cited Argentina, Austria, Brazil, Canada, Finland, Norway, Peru and Spain.

Without going into further detail, enough has been said to show that the depression, instead of destroying social insurance, has given it a new impetus. Some of the most striking results achieved by the Organisation have been in this field, as a comparison with the extent of social insurance in 1934 and in 1920, coupled with a history of the action of the Conference and of the Office to promote it, would abundantly prove. There can be no greater encouragement than to know that lost ground is being recovered and that a fresh advance has now been begun.

Mention may also be made of the part played by the Office in connection with that part of the report of the Committee on the Saar Territory, approved by the Council of the League of Nations, which refers to social insurance. At the invitation of the Committee, the Office furnished it with a report suggesting suitable measures to safeguard the rights of insured persons and pension-holders in the Saar in the various contingencies contemplated in paragraph 35 of the Annex of the Treaty of Versailles concerning the Territory. These suggestions were communicated by the Committee to the Governments concerned, and at its request the Director authorised Mr. Stein to proceed to Berlin to assist in preparing the details of the declaration which the German Government proposed to make in regard to social insurance in the Saar Territory. As a result of these negotiations complete agreement was reached, which was embodied in a report to the Council of the League of Nations, which the latter adopted on 6 December 1934. The agreement constitutes an important part of the arrangements with regard to the transfer of the Saar Territory and is regarded as furnishing a satisfactory solution of the difficult problems arising in connection with social insurance.

A few words may be added concerning the financial position. Happily a considerable improvement may be recorded. For the first time since 1928, there was a small surplus of 38,190 francs at the close of the past financial year. This result was partly due to continued economy in administration, by which a saving of 592,450 francs was realised, and partly to the marked improvement in the payment of contributions. Thanks largely to the steps taken by the 1933 Assembly, which appointed a special Committee for the purpose, the total receipts for 1934 represented 93.6 per cent. of the budget as against 82 per cent. in 1933. The efforts made by some members of the Governing Body and the ready response of some Governments to which the Office addressed itself also contributed substantially to produce this fortunate result. It is, however, not less necessary that contributions should continue to be punctually paid if the work of the Organisation is to be maintained at its proper level.

It is fitting to conclude this chapter with a brief reference to those who have passed away in the course of the year. Delegates who have attended past Conferences will learn with deep regret of the death of Mr. Adatci, Mr. Rüfenacht, Mr. de Rousiers and Mr. Marchesi.

Mr. Adatci will be especially remembered as the President of the Fifth Session of the International Labour Conference over which he presided with such distinction and authority in 1923. He was Japanese Ambassador at Brussels and at Paris and was subsequently appointed to the Permanent Court of International Justice, of which he was President from 1931 to 1934. He never ceased during his lifetime to be an active and faithful friend of the International Labour Organisation.

Mr. Rüfenacht was Director of the Swiss Federal Office for Social Insurance from 1913 to 1922 when he was appointed Swiss Minister at Berlin. He represented the Swiss Government at the 1919 and 1921 Sessions of the Conference and there are many who will still remember the valuable contribution which he made to the work of the Organisation.

Mr. Marchesi, as adviser to the Italian Employers' delegate, played an active part in the work of the Conference for many years. His unfailing courtesy and personal charm endeared him to all who came into contact with him. In him the Organisation loses one of its oldest and most faithful friends.

Mr. de Rousiers was the French Employers' delegate at the Second, Ninth and Thirteenth Sessions of the Conference and French Employers' adviser at the Twelfth Session. At the Ninth Session

of the Conference in 1926 he was appointed French shipowners' representative on the Joint Maritime Commission and in that capacity attended all the sessions of the Commission from the Seventh to the Tenth inclusive. At all those Sessions of the Conference and of the Commission he played an important part in the discussion of the various maritime questions. His profound knowledge of maritime questions, as well as his fair-mindedness will long be remembered by all those who worked with him.

Finally, in last year's Report it was hoped that the Albert Thomas Memorial would be ready for unveiling this year. The appeal for funds has met with a generous response. The work, which is now being executed by Mr. Paul Landowski, is already well advanced and is to be ready in the course of next year.

CHAPTER V

FUTURE TASKS

The foregoing chapters of this Report have necessarily ranged over an extensive field. The boundaries between economic and social questions have been largely obliterated by the depression, with the result that it has been made plain that the cure for social evils, and particularly for unemployment, the worst of all social evils, cannot be found without advancing into the wider spheres of financial and economic policy. When the Organisation was founded sixteen years ago these broad horizons were hardly within its purview, and it is pertinent to enquire how far its usefulness and its objectives have been affected by the enlargement of its outlook and by the changed approach to social problems.

Hitherto the main work of the Organisation has lain in the field of protective labour legislation. By means of the forty-four Conventions already adopted by the Conference, an international labour code has been established, which already covers a large part of that field. On this ground the idea has been put forward that the goal of the legislative effort of the Organisation is in sight, and that the remainder of its tasks are of a secondary character.

An examination of this contention may well begin by a survey of the purely protective work which still remains to do. In the first place, it may be pointed out that social legislation is not static but dynamic. There is no absolute ideal which, once achieved, represents finality. Social progress is a continuing process. What may seem the ultimate goal of one generation becomes the starting point for the next. There is certainly no reason to suppose that we are yet in sight of the millennium. Of this a glance backward over the Conventions hitherto adopted furnishes ample proof. Some of them are already becoming out of date. Fifteen years ago a working week of forty-eight hours seemed the maximum limit to which the reduction of hours could go. It marked the consecration of a demand which had stood at the head of labour programmes

for seventy years. Now a further reduction is on the way. The ideas upon which the Washington Hours Convention was based are under revision because industrial conditions have undergone great changes. The age of industrial employment is likewise approaching the time of revision. Though fourteen is still the usual age at which children leave school and go to work, in several countries the trend towards raising this age has already begun. Sooner or later this Convention too will come up for reconsideration. A similar movement of ideas may be observed in regard to old-age pensions. The traditional limit of sixty-five years is now giving way to sixty in industry, and even lower ages are being discussed in some cases. Here too a further advance will inevitably be made in the future. In fact, there are few of the existing Conventions which can be considered as setting standards for all eternity. The need for revision will be constant and continuous.

But there are also large stretches of the social field which have hardly been touched. Perhaps the largest is the domain of wages. With the exception of the Convention of 1928 regarding wage-fixing machinery, no attempt has been made to deal internationally with this fundamental question. No doubt the difficulties are immense. The want of comparability between wage standards owing to variations in currency values and modes of life is undeniable. Nevertheless, there may be some methods which have not yet been explored of carrying out the principle laid down in Article 41 of the Constitution that wages should be "adequate to maintain a reasonable standard of life" according to the prevailing conditions in each country. The relation between wages and cost of production in different industries has not been subjected to more than fragmentary study in most countries. The same applies to the influences affecting the ratio between industrial and agricultural earnings. The purchasing power of wages in relation to the prices of necessities and consequentially to the requisites of an adequate living standard is capable of much more elucidation. For all of these enquiries more complete statistical information is needed, which might well be considered by the Conference at some future date.

Again, more attention might profitably be paid to methods of wage payment. Though in many countries the truck system has long since been abolished, there are others where it still survives and even flourishes. There is no form of social abuse which exposes the worker to greater oppression than illegal or uncontrolled deductions from his pay or the obligation to spend a large portion

of it at shops owned by the employer. This subject forms part of the general question of the contract of employment, to which little attention has so far been devoted. Without attempting to adopt any universal or comprehensive regulation, such as only exists in few countries, there are a number of questions such as the conditions of dismissal, method of remuneration, holidays and the protection of wages, which might very well be dealt with successively on an international basis.

Two other fields which need further exploration are women's work and agriculture. There is a fairly widespread tendency to go back to the idea that women's labour implies the exclusion of men. The fallacy of this notion is being demonstrated in countries where efforts have been made to substitute male for female labour, apparently with very exiguous results. Quite apart from any question of abstract justice, it is clear that women are better qualified than men for some occupations, and that to exclude them would defeat its own end as being uneconomic. As long as men's incomes are insufficient to cover civilised requirements or even elementary necessities, millions of girls and married women are forced to supplement the family income by seeking work. Even if this motive were removed, there are large numbers of women who would still work for their own satisfaction or to meet their personal needs and whose skill forms a necessary element in the scheme of production. But there is a case for preventing what might be called "unfair competition" between men and women. The formula "equal pay for equal work" is not easy to apply in concrete cases, because the mathematical calculation of "work" is apt to be extremely elusive; but the whole subject of women's work merits closer and more unprejudiced analysis than it has yet received.

Another subject which has received little direct consideration since 1921 is that of agriculture. Conditions of employment vary far more widely in agriculture than they do in industry. They are subject to climatic and other natural factors which have little or no influence on factory occupations. It is impossible to imagine any uniform code for rural labour applicable alike to countries so dissimilar as Canada, Brazil, Denmark, Rumania, India and Japan. It would probably even be difficult to lay down identical rules for the north and the south of France or for North Dakota and Florida in the United States. International regulation of working conditions is therefore particularly difficult in this domain, though it may perhaps be conceivable on a regional basis. There are,

however, other aspects of country life which lend themselves more readily to international treatment. The exodus into the cities was a matter not only of complaint but even of anxiety in almost every country before the crisis. Though the flow from the countryside has been checked for the moment, it will no doubt be resumed as soon as industrial employment improves, unless something is done to bring the amenities of urban life within the reach of the farmer and his workmen. The motor-car and the radio have already done much in this direction, but the whole problem of what for want of a better term may be called "rural leisure" is of universal interest and of considerable social importance. Its solution would do much to check the concentration of vast masses of people in towns and would facilitate the dispersal of industry into the countryside, where a healthier and more natural life can be enjoyed.

Another facet of the same problem is to be found in the lack of adequate provision for social insurance in agriculture. The greater insecurity of country life is one of the motives which encourages the drift to the cities. Where there is no safeguard against unemployment, poor medical service and primitive maternity care for the rural population, it is natural that the more enterprising go where they can find better protection for themselves and their families. The financial and administrative difficulties of introducing health or unemployment insurance in the country are no doubt formidable, particularly in the great agricultural countries with a widely scattered rural population; but it is hard to imagine that there is no means by which they can be gradually overcome with the enormous improvement of means of communication.

Finally, there is the general place of agriculture in the economic structure. The wide discrepancy between the prices of the goods and services which the farmer needs and the prices which his produce commands is one of the root causes of the present unbalance. Until a remedy is found, it is idle to expect any real amelioration of the standard of life of the farmer, the peasant or the agricultural labourer. As long as urban wages are substantially higher than wages on the land, the attraction of the cities will continue; but the level of rural wages must depend primarily on the remuneration of agriculture as compared with other industries. Hence the social importance of the experiments now being made in managed agriculture and of the attempts to reduce agricultural indebtedness. Though hardly a matter for an international

convention, this subject is by no means foreign to the preoccupations of the International Labour Organisation.

There are numerous other questions which have as yet received scant attention from the Conference. The whole problem of training for industry—vocational guidance, apprenticeship, technical education—is one of growing complexity as industrial processes tend to become more specialised in some directions and more standardised in others. The professional workers are beginning to claim more consideration for their special problems. With the progressive increase of leisure, it is now being realised that the question of facilities for recreation in the widest sense is likely to become a social problem of some magnitude. When Albert Thomas first raised it thirteen years ago, its urgency was little felt. Times have already changed. Though there is a natural repugnance to any regimentation of leisure hours, it is a fact that large masses of workers are debarred from indulging in healthy physical or intellectual pursuits of which they would gladly and profitably avail themselves if they could be brought within reach of their purse. The reality and the urgency of this problem is being generally felt, and the meeting of an international conference at Brussels in June to discuss it is to be warmly welcomed.

Lastly, the fields of industrial hygiene and safety offer immense scope for future action. The Conference has already done much to call attention to the more prevalent industrial diseases and to the need of compensating their victims. But there is a considerable task yet to be accomplished in universalising the best preventive methods, which are always better than either cure or compensation, and in securing their application by co-operation between employers and employed. A review of the special dangers to health in particular industries has already been published by the Office. The task of drawing up practical schemes of preventive measures offers a vast programme of useful work. The same is true as regards accidents. A beginning has been made with docks. A continuation is to be made with building. There still remain mining and a series of other dangerous occupations, which deserve consideration.

It may possibly be necessary to evolve a new procedure to deal with these and some other of the subjects mentioned above. Where methods and conditions differ widely from country to country, a convention drawn up in rigid detail is scarcely applicable. The experience gained with the Docks Convention affords a good illustration of this difficulty. On the other hand, a Recommendation is usually in such general terms and contains so slight an element

of obligation as to be often ineffective. Perhaps some intermediate method can be found in the shape, for instance, of a Convention laying down a certain number of general principles coupled with a sort of model health or safety code allowing of considerable latitude in its detailed adaptation.

Enough has been said to show that the purely legislative activity of the Organisation is far from being exhausted. As has already been suggested, however, its horizon has necessarily been enlarged by the gradual change which has come over the general approach to social questions. The protection of the worker against the hazards and abuses to which he was exposed in industry was the basic notion upon which social policy was directed during the hundred years ending with the termination of the war. It is hardly too much to say that in its essence social legislation was regarded even by many of its protagonists as a sort of humanitarian excrescence on the economic system. The intervention of the State, however necessary in the general interest of the community, was assumed to be anti-economic in so far as it restricted the free play of the law of supply and demand. A fundamental antithesis was believed to exist between the social and the economic objectives, wherever the demands of the two appeared in conflict. As has been pointed out in the first chapter of this Report, a different view is now gaining ground. The purely protective conception of social action is now giving way to the wider conception of social security. The negative aim of guarding the worker against social risks and abuses is being replaced by the positive aim of affording him adequate opportunities both of achieving a decent level of material comfort and of ensuring his individual development.

As a result of this new approach to social questions, social and economic policy are now seen as complementary aspects of a single problem. Unemployment insurance and relief, public works in times of depression, hours of labour, the organisation of industry, cannot be judged in social terms alone or in economic terms alone. Unemployment itself is seen not simply as a social evil, but also as an economic evil. The growth of technical efficiency and the consequent replacement of human by mechanical labour present problems of the greatest complexity, which can only be correctly approached if their social and economic implications are kept simultaneously in view.

The solution of these questions cannot be sought with any hope of success by Governments or employers or workers in isolation. Their co-operation, which is the root principle of the International

Labour Organisation, is indispensable. But it would be a mistake to suppose that its present machinery is perfect or that its modes of action are necessarily confined to the forms which have hitherto proved adequate. As its horizon broadens and the nature of its problems grows more complex, it becomes incumbent to look for new instruments by which the decisions of the Conference can be made effective. The passage of legal enactments is not the only method by which parliamentary assemblies express their will and translate them into action. By the same analogy the Conference is not bound to proceed only by way of Conventions and Recommendations of the traditional type, which may not always be suitable to all of its requirements. Much of the work of all legislative bodies consists in reviewing the questions of the moment and in prescribing broad lines of policy by means of reports or resolutions which become pointers for future action. This procedure is equally suitable for international institutions. The debates of the Conference on the Director's Report and the adoption of resolutions already form a not inconsiderable part of its work. The Economic Conference of 1927 embodied its conclusions, not in an international convention couched in legal terminology, but in a report laying down a series of general principles and embodied in a set of resolutions for the guidance of Governments, but not intended to be binding upon them in every detail. The fact that the recommendations of this particular Conference have as yet been honoured as much in the breach as in the observance does not in any way disparage the method which it adopted. The International Labour Conference is likewise called upon to discuss many problems of a general character, which can hardly be solved by any hard and fast decisions susceptible of uniform legislative action. The problem of public works policy, for instance, is a question of this type, which is only partially susceptible to treatment by way of Convention or Recommendation. Next year a report is to be considered on collective agreements, another question which probably lends itself to treatment by way of report and resolution rather than by Convention and Recommendation, at any rate in the first instance.

It may well be that in the future a larger portion of the time of the Conference will be allotted to questions of general policy and less to the elaboration of legal instruments. Such a tendency would by no means imply any diminution of its importance or usefulness. On the contrary, as the Conference has gradually become the most authoritative organ of opinion on all aspects of social policy and as social policy has become more inextricably

involved in the discussion and solution of the broad economic issues, the Conference has been inevitably led to consider matters which had hitherto seemed to lie on the extreme borderline of its jurisdiction or beyond it. The progressive abandonment of the self-adjusting system has vitally altered the situation. The introduction of any measure of planned economy at once raises the questions of the goal towards which it is directed. It is impossible for the Conference to ignore the fundamental questions upon which social progress or reaction are now seen to depend. As the most representative body in the social field, it is increasingly its duty to keep the social repercussion of economic measures constantly under review. By so doing it can make an invaluable contribution to the international discussion of the real issues which are now perplexing and dividing the economic world. It may therefore be useful to conclude this Report by a brief survey of some of these questions, which have already thrust themselves into the foreground and which may properly form the subject of the deliberations of future Conferences.

In the first place, the changing structure of industry presents a series of problems. On the one hand, the tendency towards greater concentration is bound to have unforeseen social consequences. While it may lead to the regularisation of wages and employment, the possible effects of cartels, mergers and other agreements for the regulation of production and distribution obviously affect the interests of workers and consumers to an extent which has already provoked the intervention of the State in various countries. Closely allied with the problem of structure is the problem of industrial relations. One of the conditions most essential to the welfare of the workers is the standardisation of wages. Great advances have been made by collective agreements between employers' associations and trade unions. The problem of unorganised minorities, however, is still apt to arise. It has been solved in Italy by the compulsory organisation of employers and workers. In Great Britain it is being advocated that legal effect should be given to the decisions of Joint Industrial Councils or to agreements between the organised employers and workers of an industry. In the United States the participation of the workers in the framing and administration of the codes is being demanded. In fact, wherever the State takes a hand in the internal regulation of industry, it can scarcely avoid some contact with the relations between capital and labour. It may even be led to consider other questions beyond the determination of wages and conditions or the preser-

vation of industry, such as the division of profits and the effects of rationalisation upon the volume of employment. This latter problem is again linked up with the introduction of technical changes. In some cases, both in Italy and in the United States, limitations have been imposed upon the installation of new machinery or the erection of new plants. Similar restrictions are being practised or contemplated in other countries. That they should be found necessary is a proof of the danger to industrial stability created by unbridled competition and of the danger to employment stability created by the unregulated introduction of new methods and new mechanical processes. The question of technological unemployment cannot be dismissed as a mere bogey. Because it has bulked less prominently in recent discussions, there is a comfortable tendency to ignore it as nonexistent or at most unimportant. It is true that during a period of recession the mass of general unemployment is so great as to overshadow unemployment arising from the displacement of workers by technical improvements. But with the expansion of production the capacity of industry to reabsorb the unemployed is being tested. It may well be found that the old output can now easily be attained with a much smaller working force. Of this there is already some evidence, but the data so far collected by the Office are too scanty to enable any certain deductions to be drawn. The whole subject is one of paramount importance, however, and may very well require treatment in the Conference, when more ample material is available.

The same may be true of the social aspects of the relation between production and consumption. Some reference has already been made in earlier chapters to the general problem of adapting demand to the capacity of industry to produce. Another aspect of the same problem which is beginning to attract considerable attention is the relationship between adequate consumption and a proper standard of healthy living. We are only beginning to construct a scientific notion of what are the minimum requirements of civilised existence. The Health Section of the League is at present engaged on two enquiries of great interest in this connection. The first is a survey of the steps taken in different countries to secure a proper standard of housing, which of course involves standards of cubic space, ventilation, cleanliness, sanitation and so on. These standards necessarily vary with climate, but for every country there is a minimum without which health cannot be preserved and disease kept in check. The second enquiry relates to national standards of

nutrition and the extent to which they are attained. Though there is still considerable controversy among physiologists as to the minimum needs for healthy subsistence and as to the rations of calories, proteins, mineral salts and vitamins required in different climatic conditions, it is not open to dispute that large masses of people are at present underfed or wrongly fed. These enquiries are intimately connected with the problem of distribution and the problem of remuneration. The wage earner's standard of life should be judged not by the amount of money he receives but by the amount which he can buy with it. Real earnings, not nominal earnings, are the true criterion. If remuneration is sufficient to enable the worker to obtain the minimum of healthy accommodation and of healthy dietary for himself and his family, it at least furnishes the foundation of a reasonable existence. Where it falls below this standard for large sections of people, it indicates a serious shortcoming in the national standard of health and strength.

Every country is faced by a problem of this kind, but its exploration is only just beginning. It may be compared with the problem of medical treatment and maternity care, for which much has already been done wherever a sound system of health insurance has been established. As the beneficial effects on physique are becoming evident, it is slowly being realised that health is the first condition both of industrial efficiency and of national well-being. Social insurance is not merely insurance by the nation but also for the nation. It is not simply the conferring of benefits on some largely at the expense of others, but an indispensable measure of collective security. If the cure and prevention of disease is a communal affair, housing and feeding, which are the primary requisites of healthy living, are hardly less so. They were certainly not excluded from the purview of the International Labour Organisation by the Preamble to the Constitution, which lays down the "provision of an adequate living wage" as one of its objectives and declares it urgent to improve conditions of labour involving hardship and privation.

Looked at from another angle, it is evident that a higher and more variegated standard of food consumption would go far to solve the problem of agricultural overproduction. In the United States it has been calculated that of the urban population 16 million families, or 74 per cent., did not have a sufficient income in 1929 to provide an adequate diet at moderate cost, while 2.7 million families, or 12 per cent., were only able to purchase a restricted diet for emergency use. From this the conclusion has been drawn that "it

would require but a moderate increase in the consumption of the millions whose standards of living even in 1929 were below the requirements for health and efficiency, to absorb the full productive capacities of the nation ”¹.

This question of consumption is not only national but international in its scope. If it is agreed that the only real solution of the problem of economic balance is not through scaling down production but in levelling up consumption, then it follows that the best hope of finding a way out of the present troubles is to raise the standards of the millions who are now underfed, under-clothed and under-equipped. The cares of the American, Argentine, Australian, Canadian or Eastern European farmer would be conjured away if the urban populations of Europe and America could eat even a little more bread, butter and meat per head. There would be little talk of overproduction in industry or agriculture if the millions of China and India could be brought up even a short distance in the scale of consumption. Such things are not impossible, but they need a great deal more international thinking and organisation than at present exist. When all other remedies have been clearly seen to fail, it is in this direction that thought will eventually be directed, unless a general regression towards lower standards of living is accepted as the ironical but inevitable outcome of a civilisation condemned to decline through the excess of its own creative ingenuity and technical perfection.

There is one other great problem nearly allied to that of feeding — population and its distribution. The search for adequate food supplies was the motive of all the great migratory movements of the past and the root cause of the endless wars which they produced. The primitive instinct to move out in quest of a better land when the outlook for the future grows harder and narrower is still alive. During the last century it found a peaceful outlet in the great migrations which peopled and developed the Australian and American continents. Though some still remain, the vacant spaces of the world have now shrunk and much of the capital which might have exploited them was dissipated in the war. With the drying up of international lending and the spread of unemployment in the immigration countries, barriers have been reared to stop the flow of emigration from those which are overpopulated. Countries with a quarter of their industrial population out of work cannot be expected to welcome newcomers, who will either compete with

¹ BROOKINGS INSTITUTION: *America's Capacity to Consume*, p. 127.

their own workers at lower wages to gain a living or become a charge on their public funds. As the stress of the depression diminishes, the resumption of migration may no doubt be anticipated. Indeed, there are already signs that the back-flow of emigrants to their old homes is drying up and the out-flow beginning once more. It can hardly be expected, however, that migration alone will solve the demographic difficulties of congested countries. The two obvious alternatives are either a decline in the rate of reproduction, such as is already to be observed in some of them, or a decline in standards of living wherever population increases more rapidly than the national wealth. Both these solutions may be largely avoided, however, if what Dr. Schacht has termed "the outworn notion of self-sufficiency" is abandoned. Through the exchange of goods between nations, larger and richer populations have been made possible in the past, and there is no reason why the same process should not continue if the conditions of international commerce and finance which facilitated it are once more restored. One of the chief dangers of economic nationalism, however, lies in the destruction of the will to co-operate with other peoples and in thus rendering the problem of international organisation almost insoluble. Unless it is understood that the prosperity of the world can only be assured by making the interdependence of nations a living reality, it is difficult to see how a progressive standard of living can be ensured.

The population problem in all its ramifications is not one which can be solved by this Organisation, but again it is not one which lies wholly outside its range of vision. It cannot be regulated by conventions or recommendations, except so far as its purely technical aspects are concerned, but no great international gathering concerned with the life and labour of humanity can omit it from its perspective. The same is true of the other great questions affecting human welfare which have been briefly touched upon. The basic aim of the Organisation being the promotion of social justice, it cannot afford to confine its vision to the narrow field of social legislation to the total exclusion of the broader issues upon which the success or failure of its work must largely depend. At a time when the attainment of social justice is becoming more than ever before the *leitmotif* of national and international endeavour, a catholic view of all the factors which may contribute to it is particularly necessary. The adoption of such an outlook does not compel any neglect of the more detailed problems, which can be properly solved by international agreement; but it may necessitate the

discovery of other and new procedures to supplement those which are familiar but which only have a limited application. The history of the Organisation shows that it has already proved capable of continuous adaptation. It has come through the darkest period of reaction against the ideas of international fellowship which presided at its birth. There are signs that the ebb is slackening and the flood tide setting in. The objectives for which the Organisation was created are steadily assuming greater prominence in the minds of men. With the growing complexity of economic regulation it will be called upon to meet new demands and to shoulder heavier responsibilities. Its past record is the best earnest of its capacity to rise to the opportunities of the future.

HAROLD BUTLER.

15 March 1935.

APPENDICES

APPENDIX I

PRODUCTION IN THE UNION OF SOVIET SOCIALIST REPUBLICS (ACTUAL AND PLANNED), 1933-1935¹

| Products | 1933: Production | 1934 | | 1935: Plan |
|--|---------------------|---------|-------------------------------------|---------------|
| | | Plan | Production (provisional figures) | |
| Coal (millions of tons) | 76.02 | 96.77 | 93.70 | 112.20 |
| Petroleum (millions of tons) | 22.39 | 28.66 | 25.53 | 30.33 |
| Cast iron (millions of tons) | 7.11 | 10.00 | 10.44 | 12.50 |
| Steel (millions of tons) | 6.84 | 9.80 | 9.57 | 11.80 |
| Rolled steel (millions of tons) | 4.88 | 6.60 | 6.72 | 8.20 |
| Motor-cars (units) | 49,700 | 72,000 | 72,500 | 92,000 |
| Engines (conditional units) | 941 | 1,406 | 1,326 | 1,723 |
| Tractors (in thousands of H.P.) | 1,152.8 | 1,730.0 | 1,722.3 | 1,900.0 |
| All machinery ² (millions of roubles at 1926-27 prices) | 8,186.1 | 9,907.2 | 10,260.2 | 12,180.2 |
| Electrical energy (millions kw.-hours) | 16,366 | 19,000 | 20,520 | 24,900 |
| Cotton fabrics (millions of metres) | 2,736.9 | 3,059.2 | 2,711.3 | 2,800.0 |
| Boots and shoes (millions of pairs) | 77.4 | 67.5 | 69.2 | 77.0 |

¹ SOURCE: *Narodno-Khoziaistvenny Plan na 1935 god* (the Economic Plan for 1935), edited by Gosplan (State Planning Committee). Moscow, 1935. 263 pp.

² Including agricultural machinery, transport machinery and plant for production of electrical energy.

APPENDIX II

INDEX NUMBERS OF NOMINAL AND REAL WAGES IN VARIOUS COUNTRIES¹
(Base: 1929 = 100)

| Countries | Wage data | 1930 | 1931 | 1932 | 1933 | 1934 | | | |
|-------------------------------------|------------------------------|------------|------------|------------|------------|-------|------|-------|------|
| | | (aver-age) | (aver-age) | (aver-age) | (aver-age) | March | June | Sept. | Dec. |
| Nominal Wages | | | | | | | | | |
| AUSTRALIA | Hourly rates | 98 | 89 | 84 | 81 | 81 | 82 | 82 | — |
| BELGIUM | Hourly earnings | 108 | 101 | 92 | 90 | 89 | 87 | 84† | — |
| CZECHOSLOVAKIA ² | Hourly minimum rates | 102 | 103 | 103 | 102 | 102 | 100 | 99 | 99 |
| DENMARK | Hourly earnings | 102 | 102 | 102 | 102† | 102 | 102 | 103 | — |
| FRANCE ³ | Hourly rates | 109 | 108 | 104 | 104 | * | * | 104 | * |
| GERMANY | Hourly rates | 102 | 97 | 82 | 79 | 79 | * | * | 79† |
| GREAT BRITAIN AND NORTHERN IRELAND | Weekly rates | 100 | 98 | 96 | 95 | 95 | 96 | 96 | 96 |
| ITALY | Hourly earnings | 99 | 90 | 86 | 84 | 83 | 82 | 81 | 82 |
| JAPAN | Daily earnings ⁴ | 95 | 87 | 85 | 86 | 91 | 87 | 87 | — |
| " | Daily earnings ⁴ | 97 | 91 | 92 | 91 | 94 | 91 | 90 | — |
| NETHERLANDS | Hourly earnings | 102 | 100 | 93 | 89 | * | 87 | * | — |
| NEW ZEALAND | Weekly minimum rates | 100 | 93 | 86 | 82 | 82 | 82 | 82 | 84 |
| POLAND | Hourly earnings | 99 | 93 | 85 | 78 | 74 | 74 | 73 | — |
| UNION OF SOVIET SOCIALIST REPUBLICS | Monthly wages | 107 | 125 | 150 | 165 | 181 | 193 | — | — |
| UNITED STATES | Hourly earnings ⁵ | 100 | 96 | 84 | 83† | 95 | 99 | 100 | 101 |
| " " | Weekly earnings ⁵ | 91 | 79 | 60 | 62† | 72 | 73 | 68 | 73 |
| " " | Weekly earnings ⁶ | 93 | 84 | 69 | 68 | 77 | 77 | 74 | 78† |
| Real Wages ⁷ | | | | | | | | | |
| AUSTRALIA | Hourly rates | 103 | 105 | 104 | 104 | 103 | 103 | 103 | — |
| BELGIUM | Hourly earnings | 104 | 109 | 111 | 109 | 108 | 112 | 109† | — |
| CZECHOSLOVAKIA ² | Hourly minimum rates | 102 | 107 | 109 | 110 | 111 | 107 | 108 | 109 |
| DENMARK | Hourly earnings | 107 | 114 | 114 | 110† | 109 | 107 | 107 | — |
| FRANCE ² | Hourly rates | 104 | 106 | 110 | 111 | * | * | 112 | * |
| GERMANY | Hourly rates | 106 | 109 | 104 | 104 | 102 | * | * | 100† |
| GREAT BRITAIN AND NORTHERN IRELAND | Weekly rates | 104 | 109 | 110 | 112 | 111 | 113 | 110 | 109 |
| ITALY | Hourly earnings | 103 | 103 | 104 | 106 | 105 | 111 | 110 | 110 |
| JAPAN ⁸ | Daily earnings ³ | 111 | 117 | 112 | 107 | 110 | 107 | 105 | — |
| " | Daily earnings ⁴ | 113 | 121 | 123 | 113 | 115 | 111 | 109 | — |
| NETHERLANDS ⁸ | Hourly earnings | 106 | 111 | 111 | 107 | * | 104 | * | — |
| NEW ZEALAND | Weekly minimum rates | 103 | 103 | 102 | 104 | 102 | 101 | 102 | 104 |
| POLAND ⁸ | Hourly earnings | 106 | 110 | 111 | 112 | 109 | 113 | 112 | — |
| UNION OF SOVIET SOCIALIST REPUBLICS | Hourly earnings | * | * | * | * | * | * | * | * |
| UNITED STATES | Hourly earnings ⁵ | 104 | 111 | 108 | 111† | 121 | 126 | 124 | 125 |
| " " | Weekly earnings ⁵ | 94 | 92 | 77 | 83† | 92 | 92 | 85 | 90 |
| " " | Weekly earnings ⁶ | 97 | 97 | 88 | 88 | * | 96 | * | 96† |

The sign * signifies "no figures exist"; the sign — "figures not received"; the sign † "provisional figure".

¹ For notes on scope and methods see *International Labour Review*, Aug. 1933, Feb. 1934, Nov. 1934, and Feb. 1935. — ² Capital town only; for France, figures for October of each year. — ³ Bank of Japan series. — ⁴ Imperial Cabinet series. — ⁵ National Industrial Conference Board series. — ⁶ Bureau of Labour Statistics series. — ⁷ Calculated by dividing the index numbers of nominal wages by the official index numbers of cost of living. — ⁸ The index numbers of cost of living taken refer to one of the principal towns in the country (Tokyo, Amsterdam, Warsaw).

APPENDIX III

AGRICULTURAL PROTECTION, FOOD PRICES AND CONSUMPTION¹

“The actual protective effect of a given country’s policy”, as Sir Frederick Leith Ross has recently pointed out², “is best indicated . . . by the divergencies of prices inside that country from prices on a free market for the same commodity.” The following are some of the figures cited by Sir Frederick Leith Ross in this connection:

INDEX NUMBERS OF PRICES OF WHEAT, BUTTER, BEEF AND PORK IN CERTAIN COUNTRIES

(Base: English Price = 100)

| Year | Wheat | | | Butter | | | Beef | | | Pork |
|------|---------|--------|-------|---------|--------|---------|---------|--------|-------------|---------|
| | Germany | France | Italy | Germany | France | Belgium | Germany | France | Netherlands | Germany |
| 1928 | 104 | 118 | 132 | — | — | — | — | — | — | — |
| 1929 | 106 | 116 | 135 | — | — | — | 123 | 93 | 113 | 100 |
| 1930 | 155 | 148 | 169 | — | — | — | 120 | 106 | 114 | 81 |
| 1931 | 253 | 291 | 226 | 117 | 143 | 115 | 113 | 113 | 109 | 85 |
| 1932 | 261 | 276 | 270 | 150 | 206 | 150 | 120 | 111 | 109 | 123 |
| 1933 | 250 | 243 | 269 | 194 | 260 | 207 | 134 | 107 | 107 | 121 |
| 1934 | 276 | 300 | 268 | 271 | 283 | 233 | 144 | 111 | 155 | 115 |

NOTES

Wheat: The figures are for gold prices of home-grown wheat in Germany (Berlin), France (Paris) and Italy (Milan) expressed as percentages of the gold price of imported wheat in England (average of London and Liverpool prices of Canadian, Argentine and Australian wheat). The 1934 figures relate to the first nine months only. (Source: *Yearbook of the International Institute of Agriculture*.)

Butter: Average monthly prices at Berlin, Paris and Hasselt, converted to sterling at current rates and expressed as percentages of the price in London of New Zealand salted butter. The 1934 figures relate to the first eleven months. (Source: Imperial Economic Committee: *Dairy Produce Supplies*, 1932 and 1933.)

Beef: Average monthly prices in Berlin, Paris and the Netherlands, converted to sterling at current rates and expressed as percentages of the average price of home-produced beef at four markets in England and Wales. The 1934 figures relate to the first six months. (Sources: Germany, *Statistisches Jahrbuch für das Deutsche Reich*; France, publications of International Institute of Agriculture; Netherlands, *Maandschrift van het Centraal Bureau voor de Statistiek*; England and Wales, figures published by the Ministry of Agriculture and Fisheries.)

Pork: Average monthly prices in Berlin converted to sterling at current rates and expressed as percentages of the average price of home-produced pork at four markets in England and Wales. The 1934 figures relate to the first six months. (Sources: Germany, *Statistisches Jahrbuch für das Deutsche Reich*; England and Wales, figures published by Ministry of Agriculture and Fisheries.)

¹ Cf. p. 59, above.

² *Agrarian Protection in Europe in the Post-War Period*, p. 8. League of Nations Economic Committee, Document E. 873. Geneva, 1 Feb. 1935.

As Sir Frederick Leith Ross points out, "an exact correspondence between prices in different countries is not to be expected even under conditions of completely free trade, particularly where (as in most cases) there is some difference between the qualities of the products to which the different quotations relate. However, it is clear that the divergencies actually recorded, especially in the cases of wheat and butter, are greatly in excess of any which could be explained by such considerations as this."¹

The following tables, taken from the same source, reveal marked differences in the trends of consumption of important foodstuffs in certain countries. They should be considered in conjunction with the index numbers of comparative prices cited in the preceding table.

PER CAPUT CONSUMPTION OF FATS IN THE UNITED KINGDOM,
GERMANY AND THE NETHERLANDS

(Pounds per head)

| | United Kingdom | | | | Germany | | | | Netherlands | |
|--------------------|-------------------|-------------------|------------------|-------|-------------------|-------------------|------|-------|-------------------|-------------------|
| | Butter | Margarine | Lard | Total | Butter | Margarine | Lard | Total | Butter | Margarine |
| Average 1905-9 | 15.8 ² | 5.0 ² | — | — | — | — | — | — | — | — |
| 1913 | — | — | — | — | 15.0 | 6.6 | — | — | — | — |
| Average 1924-27 | 15.4 ² | 12.4 ² | 8.1 ³ | 35.9 | 13.4 ⁴ | 15.2 ⁴ | — | 36.7 | 12.5 ³ | 17.7 ³ |
| 1928 | 17.0 | 13.2 | 8.1 | 38.3 | 15.7 | 16.4 | — | 40.2 | 12.8 | 18.3 |
| 1929 | 17.8 | 12.9 | 8.6 | 39.3 | 15.9 | 17.3 | — | 41.3 | 12.8 | 20.1 |
| 1930 | 18.5 | 11.8 | 8.3 | 38.6 | 16.7 | 17.5 | 8.1 | 42.3 | 14.0 | 19.1 |
| 1931 | 20.9 | 10.3 | 8.3 | 39.5 | 16.3 | 16.2 | — | 40.5 | 15.9 | 17.6 |
| 1932 | 21.8 | 9.2 | 8.2 | 39.2 | 16.3 | 17.6 | — | 41.4 | 18.9 | 13.3 |
| 1933 ¹ | 23.5 | 8.4 | 9.1 | 41.0 | 17.6 | 13.0 | 7.6 | 38.2 | 16.6 | 11.1 |
| 1934 ¹ | — | — | 9.1 | — | 15.3 | 12.3 | 6.7 | 34.3 | — | — |

¹ Provisional. — ² Great Britain. — ³ 1927. — ⁴ 1925-27

SOURCES

United Kingdom: butter and margarine figures for 1905-9 and 1924-7, *The Agricultural Output and Food Supplies of Great Britain*, Ministry of Agriculture and Fisheries, 1929; for later years estimates of the Imperial Economic Committee. Lard consumption computed on the basis of the import balance in each year plus the recorded production in 1930.

Germany: butter and margarine consumption 1913-30, *Survey of Oilseeds and Vegetable Oils*, Vol. III, *Ground Nut Products*, Imperial Economic Committee, 1934; 1931 and 1932, *Dairy Produce Supplies* in 1933, Imperial Economic Committee; 1933 and 1934 calculated from data regarding supplies in *Foreign Crops and Markets*, 8 Oct. 1934. Lard consumption from *Foreign Crops and Markets*, 8 Oct. 1934.

Netherlands: figures calculated from data published in *Jaarcijfers voor Nederland* and *Maandschrift van het Centraal Bureau voor de Statistiek*.

¹ *Ibid.*

**PER CAPUT CONSUMPTION OF EGGS IN UNITED KINGDOM
AND GERMANY**

Numbers

| | United Kingdom | Germany |
|------|----------------|---------|
| 1924 | 116 | 117 |
| 1931 | 160 | 130 |
| 1932 | 150 | 120 |
| 1933 | 152 | 101 |

SOURCE: Figures supplied by the Imperial Economic Committee.

**PER CAPUT CONSUMPTION OF MEATS IN CERTAIN
COUNTRIES**

(Pounds per head)

| | United Kingdom | | | | Germany | | | | |
|------|----------------------------------|------------------------------------|--------------|-------|---------------------|-----------------------|------|----------------|--------------------|
| | Beef and veal ¹ | Mutton and lamb ¹ | Pig- meat | Total | Beef and veal | Mutton and lamb | Pork | Other meats | Total |
| 1927 | 71 | 27 | 40 | 138 | 38.1 | 1.5 | 68.8 | 1.8 | 110.2 |
| 1928 | 71 | 28 | 43 | 142 | 40.1 | 1.5 | 73.2 | 1.5 | 116.3 |
| 1929 | 70 | 28 | 40 | 138 | 43.0 | 1.5 | 67.5 | 1.8 | 113.8 |
| 1930 | 70 | 29 | 41 | 140 | 39.0 | 1.5 | 69.0 | 1.8 | 111.3 |
| 1931 | 67 | 29 | 47 | 143 | 36.5 | 1.5 | 72.6 | 1.4 | 112.0 |
| 1932 | 64 | 31 | 49 | 144 | 37.2 | 1.4 | 68.1 | 1.2 | 107.9 ² |
| 1933 | 63 | 34 | 48 | 145 | 36.1 | 1.5 | 70.1 | 1.3 | 109.0 ² |

| | France | | | | | Nether- lands | Italy |
|------|------------------|------|--------------------|-------|-------|-------------------------------|------------------|
| | Beef and veal | Pork | Mutton and lamb | Horse | Total | Beef and veal ³ | Beef and veal |
| 1927 | 46 | 16 | 6.0 | 2 | 70 | 41 | 22 |
| 1928 | 48 | 17 | 6.0 | 2 | 73 | 40 | 23 |
| 1929 | 49 | 17 | 5.7 | 3 | 75 | 43 | 21 |
| 1930 | 45 | 18 | 6.3 | 3 | 72 | 39 | 19 |
| 1931 | 41 | 20 | 5.6 | 3 | 70 | 35 | 18 |
| 1932 | 42 | 19 | 5.6 | 3 | 70 | 39 | 18 |
| 1933 | 45 | 9 | 5.6 | 3 | 72 | | |

¹ Twelve months ending May 31st of year stated. — ² Provisional.
³ Including fat and sausages.

SOURCE: *Cattle and Beef Survey*, Imperial Economic Committee, 1934.

